

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

March 14, 2007

The Regents of the University of California met on the above date at Covell Commons, Los Angeles campus.

Present: Regents Blum, De La Peña, Dynes, Gould, Hopkinson, Island, Johnson, Kozberg, Lansing, Ledesma, Lozano, Marcus, Moores, Parsky, Preuss, Ruiz, Schilling, Schreiner, and Varner (19)

In attendance: Regents-designate Allen, Brewer, and Bugay, Faculty Representatives Brown and Oakley, Acting Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice President Darling, Vice Presidents Broome, Foley, Hershman, and Sakaki, Chancellors Birgeneau, Bishop, Córdova, Drake, Fox, Kang, Vanderhoef, and Yang, Acting Chancellors Abrams and Blumenthal, University Auditor Reed, and Recording Secretary Bryan

The meeting convened at 2:35 p.m. with Chairman Blum presiding.

1. **REPORT OF THE COMMITTEE ON FINANCE**

A. *Approval of Proposed Increases in Student Fees for 2007-08*

The Committee recommended that student fees be increased for 2007-08 as follows:

- (1) Effective Summer 2007, mandatory systemwide fees be increased by 7 percent as shown in Table 1. These increases are consistent with those recognized in the Governor's 2007-08 budget. Of the revenue generated from the increases in mandatory systemwide fees from undergraduate students, an amount equivalent to 33 percent will be set aside to mitigate the impact of the fee increases on financially needy undergraduate students. Of the revenue generated from the increases from graduate academic students, 45 percent will be set aside to provide additional funds for financial aid for needy graduate academic students; and 33 percent of the revenue generated from the increases from students subject to professional fees will be set aside for financial aid for those students.

TABLE 1
Proposed Increases in Mandatory Systemwide Fees

	2007-08 Fee Actions Previously Approved by The Regents		Proposed Increases in Mandatory Systemwide Fees for 2007-08		Proposed Total 2007-08 Mandatory Systemwide Fees Levels
	<i>Educational Fee</i>	<i>Educational Fee</i>	<i>Educational Fee</i>	<i>Registration Fee</i>	<i>Ed/Reg Fees</i>
Resident Undergraduates		\$60	\$384	\$51	\$6,636
Nonresident Undergraduates		\$60	\$420	\$51	\$7,188
Resident Graduate academics		\$60	\$432	\$51	\$7,440
Nonresident Graduate academics		\$60	\$459	\$51	\$7,734
Professional students subject to Professional School Fee except those below:					
(Residents)	-\$1,050	\$60	\$379	\$51	\$6,582
(Nonresidents)	-\$1,050	\$60	\$379	\$51	\$6,582
Professional students in IRPS at San Diego, Public Health, & Public Policy (Residents)		\$60	\$432	\$51	\$7,440
(Nonresidents)		\$60	\$459	\$51	\$7,734

- (2) Effective Summer 2007, Fees for Selected Professional School Students be increased by 7 percent and 10 percent as shown below in Table 2. Of the revenue generated from the increases in professional school fees, an amount equivalent to 33 percent of the revenue generated will be set aside for financial aid for students subject to professional school fees.

TABLE 2
Proposed Increases in Fees for Selected Professional School Students

	2007-08 Proposed Increases in Professional School Fees (excludes Educ & Reg Fees)	2007-08 Fee for Selected Professional School Students (excludes Educ & Reg Fees)*	Estimated 2007-08 Average Total Annual All Charges (includes Educ, Reg, Professional & campus fees)
Medicine			
All campuses (resident)	\$940	\$14,380	\$23,133
All campuses (nonresident)	\$940	\$14,380	\$35,661
Business			
Berkeley (resident)	\$1,814	\$18,160	\$26,713
Berkeley (nonresident)	\$1,708	\$16,984	\$37,782
Davis (resident)	\$1,000	\$15,276	\$24,103
Davis (nonresident)	\$1,000	\$15,276	\$36,348
Irvine (resident)	\$1,000 \$1,068	\$16,314	\$25,684
Irvine (nonresident)	\$1,000	\$15,276	\$36,891
UCLA (resident)	\$1,916	\$19,287	\$28,312
UCLA (nonresident)	\$1,606	\$15,882	\$37,152
Riverside (resident)	\$1,000	\$15,276	\$23,802
Riverside (nonresident)	\$1,000	\$15,276	\$36,047
San Diego (resident)	\$1,000	\$15,276	\$23,630
San Diego (nonresident)	\$1,000	\$15,276	\$35,875

TABLE 2 (Continued)
Proposed Increases in Fees for Selected Professional School Students

	2007-08 Proposed Increases in Professional School Fees (excludes Educ & Reg Fees)	2007-08 Fee for Selected Professional School Students (excludes Educ & Reg Fees)*	Estimated 2007-08 Average Total Annual All Charges (includes Educ, Reg, Professional & campus fees)
<u>Law</u>			
Berkeley (resident)	\$1,812	\$17,770 \$18,146	\$26,729
Berkeley (nonresident)	\$1,812	\$17,770 \$18,146	\$38,974
Davis (resident)	\$1,681	\$16,318 \$16,694	\$25,479
Davis (nonresident)	\$1,681	\$16,318 \$16,694	\$37,724
UCLA (resident)	\$1,812	\$17,770 \$18,146	\$26,721
UCLA (nonresident)	\$1,681	\$16,318 \$16,694	\$37,514
<u>Dentistry</u>			
UCLA (resident)	\$1,104	\$16,902	\$26,131
UCLA (nonresident)	\$968	\$14,784	\$36,258
San Francisco (resident)	\$1,106	\$16,902	\$25,752
San Francisco (nonresident)	\$1,106	\$16,902	\$37,997
<u>Veterinary Medicine</u>			
Davis (resident)	\$764	\$11,646	\$22,437
Davis (nonresident)	\$764	\$11,646	\$34,682
<u>Optometry</u>			
Berkeley (resident)	\$668	\$10,210	\$18,763
Berkeley (nonresident)	\$668	\$10,210	\$31,008
<u>Pharmacy</u>			
All campuses (resident)	\$776	\$11,874	\$20,450
All campuses (resident)	\$776	\$11,874	\$32,695
<u>Theater, Film & Television</u>			
UCLA (resident)	\$416	\$6,375	\$14,350
UCLA (nonresident)	\$416	\$6,375	\$26,595
<u>Nursing</u>			
All campuses (resident)	\$226	\$3,444	\$11,793
All campuses (resident)	\$226	\$3,444	\$24,038
<u>International Relations & Pacific Studies</u>			
UCSD (resident)	\$284	\$4,284	\$13,516
UCSD (nonresident)	\$284	\$4,284	\$26,035
<u>Public Policy</u>			
All campuses (resident)	\$284	\$4,284	\$13,406
All campuses (nonresident)	\$284	\$4,284	\$25,945
<u>Public Health</u>			
All campuses (resident)	\$284	\$4,284	\$13,593
All campuses (nonresident)	\$284	\$4,284	\$26,132

* For students enrolled in law and medicine only, professional school fees include the Special Fee for Law and Medicine of \$376.

[Note: Table 2 above, which was distributed during the meeting, shows corrections made subsequent to the meeting of the Committee on Finance.]

- (3) Effective Fall 2007, the Nonresident Tuition Fee be increased by 5 percent, \$900, for nonresident undergraduate students only, from \$18,168, to \$19,068. 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 2007-08.

- (4) Student fees increases for 2007-08 as approved by the Board of Regents at its March 2007 meeting shall be reduced or rescinded prior to implementation if the Governor and the Legislature provide sufficient funding to reduce or eliminate fee increases and the remaining portions of the 2007-08 Governor's Budget for UC remain in place.

B. *Adoption of Expenditure Rate for the General Endowment Pool*

The Committee recommended that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2007-08 fiscal year shall remain at a rate of 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

C. *Adoption of Endowment Administration Cost Recovery Rate*

The Committee recommended that an endowment administration cost recovery rate of 25 basis points (0.25 percent) be approved to apply to the distributions from the General Endowment Pool (GEP) to be made after July 1, 2007, from the eligible assets invested in the GEP to defray, in part, the cost of administering and carrying out the terms of endowments on the campuses and at the systemwide offices.

D. *Proposed Continuation and Increase of Seismic/Life Safety Fee, Santa Cruz Campus*

The Committee recommended that, to finance seismic structural improvements to the Cowell Student Health Center and the Field House West facilities at the Santa Cruz campus, the compulsory Seismic/Life Safety fee at that campus be continued and increased from \$25 per student per quarter to \$40 per student per quarter for all UC Santa Cruz students enrolled in the fall, winter, and spring terms and in State-funded summer programs, beginning summer 2007 through spring quarter 2038.

E. ***Authorization to Submit Applications for Proposition 61 Grant Funding and Take Related Action to Receive Proposition 61 Funding on Behalf of Medical Centers, Davis, Irvine, San Diego, and San Francisco Campuses***

The Committee recommended that:

- (1) The Regents authorize the President to submit – on behalf of UCD, UCI, UCSD, and UCSF Medical Centers – Proposition 61 grant applications to the California Health Facilities Financing Authority (the Authority) under The Children’s Hospital Program for grant funding in the amount of \$30 million less administration and issuance cost (the Grant) for each medical center.
- (2) The Regents authorize the President or his designee, after consultation with the General Counsel, to execute grant contract documents and take such further actions, including but not limited to (a) the establishment of a mechanism for financial transactions, and (b) execution and delivery of such additional, related instruments, certificates, statements, and documents as are reasonably required to obtain the Grants.
- (3) Any action taken by the President or his designees, in furtherance of the matters authorized by the foregoing actions, is hereby ratified, approved, and confirmed as the act and deed of The Regents.

Upon motion duly made and seconded, the recommendations of the Committee on Finance were approved.

Regent Lozano moved that the motion with respect to Item A. of the Report of the Committee on Finance, *Approval of Proposed Increases in Student Fees for 2007-08*, be reconsidered, based on the fact that several Regents indicated that they did not have sufficient time to review the report from the Committee and that a corrected fee table had been handed out subsequently. Her motion was duly seconded. Reconsideration of the motion was approved, Regents Blum, De La Peña, Dynes, Gould, Hopkinson, Island, Johnson, Kozberg, Ledesma, Lozano, Marcus, Ruiz, Schilling, Schreiner, and Varner (15) voting “aye,” and Regents Lansing, Moores, Parsky, and Preuss (4) voting “no.”

Regent Marcus believed that the academic graduate fees should be voted upon separately; however, his suggestion was not supported by the majority of Regents.

Regent Gould moved Item A. of the report, as amended. The motion was duly seconded, and approved, Regents Blum, De La Peña, Dynes, Gould, Hopkinson, Kozberg, Lansing, Moores, Parsky, Preuss, Schilling, Schreiner, and Varner (13) voting “aye,” and Regents Island, Johnson, Ledesma, Lozano, Marcus, and Ruiz (6) voting “no.”

2. **PRESENTATION ON STATEMENT ON AUDITING STANDARDS NO. 112 GUIDELINES**

Vice President Broome reviewed the new audit standard issued by the American Institute of Certified Public Accountants that will require The Regents’ auditors to comply with new criteria when reviewing financial reporting controls surrounding the preparation of the University’s 2006-07 financial statements. Similar to Sarbanes-Oxley legislation, the new standard defines three categories of control issues (control deficiency, significant deficiency, and material weakness), provides guidance on quantifying the potential financial impact of such control issues, and requires auditors to report, in writing, identified control issues to The Regents.

Ms. Broome reported that, in the University’s financial statements audit, the bar for evaluating a control deficiency is much lower and will likely result in more management comments than in the past. This does not mean that the University has had a deterioration of its controls. A control deficiency is defined as any control issue where the material effect is less than 0.02 percent of the University’s expenses. For the University, that would be items less than \$39 million. The next higher level, a significant deficiency, is defined as a control issue when the impact is between 0.02 percent and less than 1 percent of expenses. This would involve issues between \$39 million and \$195 million in this year’s audit. A material weakness, which is the highest degree of control fault, is any control issue or deficiency where the potential impact is greater than 1 percent of the University’s expenses, or \$195 million. In contrast, by the old standards, materiality was considered generally to be about 5 percent of expenses; that would mean control issues where the impact was about \$975 million. Also, there were no gradations of deficiencies and no specific reporting requirements.

With reference to implications for the University, during this year’s audit of the financial statements, the standards will resemble those of Sarbanes-Oxley with respect to control issues. This standard addresses what could happen as the result of a control issue rather than what actually happened. Ms. Broome reported that the most important implication for the University is the public agency response. Unlike the private sector, the University has federal agencies which provide funding. These agencies will be examining the types of weakness that are reported by the institution, particularly in the audit that is done of the University’s federal research funding. In terms of a market response such as a credit rating,

the experience with the private sector was minimal. Even companies that reported serious material weaknesses had little impact on the market. University management response to any material weakness would be to correct it. If significant or control deficiencies were reported, management would evaluate them for corrective action. If a control deficiency could have an impact of 0.02 percent but it cost the University five times that to fix it, alternative methods would be sought to address the deficiency.

Ms. Broome stated that the Regents would be given more information about these changes as the end of the fiscal year approaches.

3. **THE POWER OF UC TELEMEDICINE TO SAVE LIVES AND TRANSFORM THE PRACTICE OF MEDICINE**

Chancellor Vanderhoef recalled that Proposition 1D, approved by California voters last November, will enable the University to expand medical education using such new technologies as telemedicine. Pioneered in 1992 by UC Davis physician Dr. Thomas Nesbitt, telemedicine is a prime example of how the University of California is breaking new ground to serve all of the people of the state better, and of how one campus' early success is being expanded and maximized through UC-wide partnering at more than 80 sites. The program has been recognized as the most notable of its kind in the country.

Dr. Nesbitt spoke about the rationale for telemedicine. He observed that, although California has phenomenal healthcare resources, they are not available to everyone. There is an overall shortage of physicians and they are poorly distributed. Rural areas and inner cities often lack the full spectrum of health care, and many generalists are unwilling to practice in those communities without specialty backup. Also, there are barriers to healthcare access to those who do not speak English. At the same time, there is an explosion of new knowledge, causing increasing disparity between the beneficiaries of new information and cutting edge technology and the underserved population. Advances in telecommunication and information technology can help overcome some of these disparities by redistributing that knowledge and expertise for clinical services as well as creating new venues for education.

Dr. Nesbitt reported that the increase in telemedicine has been made possible by the increased availability of digital communications. It is interactive healthcare over distance using information or telecommunication technology that allows that expertise to be brought to the point of care and customized for a particular patient. The University is actively providing telemedicine in between 30 and 40 specialties. It is also providing services for interpreting language and culture using these technologies, which improves the quality of care. Telemedicine consults and distance learning have expanded statewide. Dr. Nesbitt showed a

brief video re-enacting how UC Davis Medical Center doctors 107 miles away were able to help doctors at a small rural hospital in Willits save the life of a ten-year-old boy in a diabetic coma.

Dr. Catherine Nation, Executive Director of Academic Health Sciences, reported that the University's health science system offers an extraordinary resource for improving healthcare access and the use of new technologies. Over the past few years, the medical centers and the Office of the President have worked together to plan for the future. With guidance provided by the President's Advisory Council on Future Growth in the Health Professions, chaired by Regent Lansing and Provost Hume, a systemwide enrollment plan has been developed that calls for substantial growth in medical student education and several other health professions through the year 2020. With the passage of Proposition 1D, \$200 million in new resources will be available for the University's medical schools to help fund capital improvements, expand teaching programs, and develop new programs in telemedicine. The University has also been planning with faculty on each campus to develop new programs in medical education that individually and collectively focus on the needs of underserved communities and groups within the state. The first of these programs was launched at the Irvine campus in July 2004, and this year students will be welcomed into new programs at the San Francisco, Davis, and San Diego campuses. In 2008, the Los Angeles campus will launch its prime program, in coordination with the Riverside campus and Charles R. Drew University of Medicine and Science.

Dr. Nation reported that, with the passage of 1D, the University will be investing in infrastructure and planning for growth on each campus. As part of these efforts, the campuses will link through a new videoconferencing network that will connect them for teaching and other purposes for the first time. In tandem with these efforts, planning will continue for the development of new programs in telemedicine that will help expand access to services provided by UC faculty. Overall, the University intends for these efforts to link its advances in science with its public service mission and to link the development of new teaching and clinical training programs with new technologies. By investing in these areas, the University will help lead much-needed efforts to expand access to services.

Regent Marcus asked what it will take to expand telemedicine broadly and how the current shortage of hospitals and clinics will affect that process. Dr. Nesbitt believed that the new funding and the development of programs on several campuses will contribute to the rapid growth of access in the Central Valley and Southern California. The University's programs connect mainly to clinics, because most of its work is in outpatient care, but they are connecting increasingly to emergency departments to ensure that resources are being used appropriately. The programs will enable the use of limited resources more efficiently.

In response to a question asked by Regent Schilling, Dr. Nesbitt reported that at UC Davis the outpatient specialty clinics are scheduled for half days and are linked to multiple locations. For emergency care, UC Davis physicians on call for critical care are available by pager and can link to the sites.

Regent Lansing noted that the technology used in telemedicine has only recently been sufficiently developed to support its expansion, and it will continue to be refined. She was pleased to note that campuses other than Davis were establishing telemedicine programs.

In response to a question asked by Regent-designate Allen, Dr. Nesbitt reported that the California Department of Corrections has a telemedicine program through which it contracts with physicians who provide specialty services. UC Davis provides limited services to the department, but those could expand in the future.

The meeting adjourned at 3:30 p.m.

Attest:

Acting Secretary