The Regents of the University of California

COMMITTEE ON EDUCATIONAL POLICY
COMMITTEE ON FINANCE
November 15, 2007

The Committees on Educational Policy and Finance met jointly on the above date at Covel Commons, Los Angeles campus.

Members present: Representing the Committee on Educational Policy: Regents Allen, Blum, Dynes, Island, Johnson, Lansing, Marcus, Parsky, Ruiz, and Varner; Advisory members Cole and Brown; Staff Advisors Brewer and Johansen
Representing the Committee on Finance: Regents Blum, Brewer, Dynes, Gould, Hopkinson, Island, Kozberg, Parsky, and Preuss; Advisory members Scorza and Croughan, Staff Advisors Brewer and Johansen

In attendance: Regents Bugay and De La Peña; Regent-designate Shewmake, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice Presidents Darling and Lapp, Senior Vice President Vacca, Vice President Foley, Acting Vice President Standiford, Chancellors Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, and Yang, Acting Chancellor Grey, and Recording Secretary Johns

The meeting convened at 11:05 a.m. with Committee Chair Gould presiding.

1. **READING OF NOTICE OF MEETING**

For the record, it was confirmed that notice was given in compliance with the Bylaws and Standing Orders for a Special Meeting of the Committees on Educational Policy and Finance, concurrent with the meeting scheduled for this date and time, for the purpose of addressing an item on the Committees' agenda.

2. **PROPOSITION 92 – THE FEBRUARY 2008 CALIFORNIA COMMUNITY COLLEGE BALLOT INITIATIVE**

Executive Vice President Darling presented a summary of the provisions of Proposition 92, which will appear on the February 2008 ballot as the Community College Governance, Funding Stabilization, and Student Fee Reduction Act. It was placed on the ballot through the signature process by a coalition of community college organizations.

The proposition would provide a funding guarantee similar to Proposition 98 for the California Community Colleges, separate from funding for K-12. It would reduce community college fee levels and limit future increases, and would establish the California Community Colleges in the State Constitution and alter its governing board. Mr. Darling observed that this measure is very complex and that his discussion relies on analysis provided by the nonpartisan California Legislative Analyst's Office.

Mr. Darling recalled that Proposition 98 currently guarantees minimum funding for the community colleges and K-12 from two revenue sources – State General Funds and local property taxes. It adjusts the funding formula annually based on K-12 enrollment and growth in the California economy, and requires that K-12 and the community colleges receive at least forty percent of the State General Fund each year. Proposition 92 would create a separate minimum funding level for K-12 and the community colleges. It would fund community colleges and their enrollment growth based on growth in the California population (among age groups 17 to 21 or 22 to 25, whichever is greater in any given year), and increase funding in any year in which state unemployment exceeds five percent. Mr. Darling noted that California unemployment has exceeded five percent in 13 of the last 15 years, and that the resulting increase in funding would not be related to community college enrollment. The measure would also require State General Funds to make up for any shortfalls in community college funding derived from local property taxes. It would guarantee a minimum of 10.46 percent of the Proposition revenues to the community colleges. The measure would also require a four-fifths vote of both Houses of the Legislature to be amended. Mr. Darling pointed out that this would make it very difficult to change the funding process in the future.

Mr. Darling outlined the student fee provisions of Proposition 92. It would reduce community college fees from $20 per academic credit unit to $15 beginning in fall 2008; thereafter it would be very difficult for the Legislature to increase student fees because this would require a two-thirds vote in each House of the Legislature. Fee increases could only be enacted through legislation specifically devoted to such increases. Fees could not be increased through the enactment of the annual State budget. The measure would limit any fee increases to either ten percent per annum or to the percentage change in California per capita personal income, whichever is lower. The Legislature could increase fees by $1 per unit only if growth in per capita personal income exceeds 6.7 percent in any given year. Mr. Darling noted that growth in per capita personal income has exceeded this level only once in the last twenty years and opined that the likelihood of fee increases under this measure is very remote. The Legislature could reduce fees with a majority vote.

Proposition 92 would codify the organization of the community colleges in the State Constitution regarding community college districts and the Chancellor's System Office. It would increase the number of members of the Board of

Governors of the California Community Colleges from 17 to 19 and require that the Governor appoint 10 of the 19 from lists provided by designated community college organizations. Currently the Governor is required to appoint only five Board members from such organizations. It would mandate that the Legislature provide adequate funding for the Chancellor's System Office and exempt the Board of Governors from civil service requirements in appointing the Chancellors and six deputies.

Mr. Darling then commented on the fiscal impact of Proposition 92. The Legislative Analyst's Office estimates that State funding would increase by $300 million in 2007-08 and 2008-09, to be divided equally between K-12 and the community colleges in those two years. In 2009-10, the $300 million would be allocated almost exclusively to the community colleges. After that point there would be no further fiscal impact, because the current Proposition 98 requirement that forty percent of the State General Fund be spent on K-12 and the community colleges would then be in effect. In sum, $900 million would be spent over the next three years on K-12 and the community colleges beyond what they currently receive. This is somewhat less than one percent of the State General Fund, but it is a far larger proportion of the discretionary money that the Governor and the Legislature have available to control. The reduction of community college fees from $20 to $15 per unit would reduce revenues to the community colleges by about $70 million per year and offset the proposed increases.

Mr. Darling then turned to the implications of this measure for the University. He informed the Committees that UC is not mentioned in Proposition 92. The measure would tie up a far greater percentage of State revenues than is currently the case. General Fund monies would not be available to unprotected programs like UC and the California State University (CSU). If State funding for UC were reduced as a result, reductions in the UC budget would be likely and there would be added pressure to increase student fees. Mr. Darling identified supporters of the Proposition, including State Senators Jack Scott and Alex Padilla. Proposition 92 is opposed by business and other organizations. The CSU Board of Trustees has voted unanimously to oppose the measure. Mr. Darling concluded by remarking that the University does not typically take a position on ballot measures that do not affect it directly. Over the last 23 years, The Regents has taken a position only five times on ballot measures that were not bond funding for the University. The Regents opposed three of these measures that adversely affected the University and that were placed on the ballot by signature gathering, and supported two structural budget adjustments placed on the ballot by the Legislature. Mr. Darling suggested that, if the Regents want to consider abandoning their position of neutrality, the University will need to be vigilant in assessing propositions not directly relating to the University.

Regent Preuss stressed that the University must take a position on Proposition 92 because it represents a major change in the balance of funding for the three segments of the Master Plan and for K-12. It codifies this change and will be

difficult to amend in the future as conditions in the State develop and change. The University should speak out about its view of the right funding balance for these four components of the California educational environment. Regent Preuss stated that The Regents should publicly and forcefully oppose this proposition.

President Dynes believed that this initiative puts the University in a very awkward position. The President observed that it is difficult to oppose a sister institution, but that he could not imagine proposing a ballot measure that would enhance the University's position and hurt a sister institution. He advocated that UC take a neutral position on the measure while noting its grave concerns, or oppose the measure.

Regent Kozberg expressed her respect for the community colleges and their work. She observed that this proposition must reflect concerns about real risks currently faced by the community colleges. She believed that UC must take a position on it. Regent Kozberg cautioned that the measure would codify administrative procedures and structures in the State Constitution that should not be codified, limit funds for higher education, and have a financial impact on the University.

Regent Hopkinson expressed agreement with Regent Kozberg and stated that UC should oppose this proposition.

Regent Johnson recalled her service at a community college and described the community colleges as a generally acknowledged open door for underrepresented students. In its efforts to improve diversity, the University must ensure that community college students are able to transfer to UC. She recognized that it is hard for UC to pit itself against the community colleges and described the University's position regarding the measure as a "public relations nightmare." Regent Johnson expressed misgivings about the measure's provisions that would alter the State Constitution. She urged UC to take neutral position and to issue a statement to the public about the measure's implications for UC. She believed UC should communicate its commitment to public service and not take sides.

Chairman Blum described the proposition as "bad government" that ties the hands of legislators and creates inflexibility in the system. The University should oppose it. Committee Chair Gould concurred and emphasized the University's role as a leader in higher education. As a leader, UC must respond in a direct and clear way. It is appropriate that the University's formal position be to oppose the proposition.

Regent Preuss emphasized that UC must make its position clear to the public, since many voters will look to UC when considering how they will vote. Committee Chair Gould agreed and, referring to Regent Johnson's statements, acknowledged the community colleges as an exceptional long-term partner of UC. Provost Hume emphasized that UC must make clear the enormous value of community colleges to the people of California under the Master Plan and their

value to UC. The University is able to fulfill its mission better because of the role of community colleges and the transfer function. The University's appreciation for the community colleges should be a matter of public record.

Regent Allen described a perceived disconnection in perspective and communication between the administrations of UC, CSU, and the community colleges. He expressed the wish that all three segments would work together on a ballot initiative that would properly fund all higher education, suggesting this would reduce opposition from constituent groups that would otherwise be natural allies of the University. He underscored the importance of the language used by UC in its formal response, to avoid the impression of a turf battle. The University should make it clear that it values the community colleges as vital partners in the mission of public higher education. This message should be emphatic, unambiguous, and unequivocal. Regent Allen expressed concern that the Office of the President is not devoting adequate resources to its relationships with the community colleges and cited the decline in community college transfer applications.

Regent Marcus expressed dismay that the community colleges would not consider the well-being of UC and CSU by putting forward a proposition like this one; he urged opposition.

Regent Island stated that UC should be wary of taking a neutral position, which would suggest that the University has no stake in the outcome. He cited the projected negative financial impact of the measure on UC and opined that UC has no choice but to oppose it. Although he values the community colleges, Regent Island noted his obligation on the Board to assure UC's financial viability, now and in the future. Proposition 92 has to be seen as a grab at the discretionary purse of Legislature which would harm UC's financial interests. UC should state this directly, without embarrassment. Regent Island favored very direct opposition to the initiative.

Regent Parsky also opposed the initiative. He asked if there had been consultation between the Office of the President and the community college leadership on this proposition. Mr. Darling responded that he was not aware of the proposition until it qualified for the ballot, and that CSU was also unaware of it. The measure did not originate with the community college system, but with outside organizations. Regent Parsky asked if there is a mechanism for ongoing discussions with CSU and the community colleges. Mr. Darling answered that there is. President Dynes reported that California Community Colleges Chancellor Woodruff asked UC to support or take a neutral position on the proposition. California State University Chancellor Reed has asked UC to oppose it. Regent Parsky noted the need for closer communication between CSU, UC, and the community colleges. The fact that UC was "caught blind" by this initiative indicates a breakdown in communication among the segments.

Regent Varner concurred with opposition to the measure. The Master Plan assumes cooperation between the segments. This measure hurts the other segments and should be defeated. He opined that UC should indicate its support for the community colleges but oppose the proposition. President Dynes stated that he could not imagine proposing such an initiative without including or fully engaging the other higher education segments.

Regent Ruiz stated his opposition and expressed disappointment that UC was not aware of the measure. He observed that there is an opportunity to improve UC's relationship with the community colleges. He asked about the stance of the California Postsecondary Education Commission (CPEC) on the proposition. Mr. Darling responded that CPEC has not taken a position.

Faculty Representative Brown noted that it is important for UC not only to oppose the proposition, but also to offer something in the way of a solution to problems facing California and higher education, some kind of broader forum to engage these problems.

Regent Hopkinson surmised that the authors of Proposition 92 may have decided not to publicize their measure or seek public input. She asked that UC, in coordination with K-12 and CSU, draft a coordinated, very articulate argument against the proposition.

General Counsel Robinson clarified that, for the current vote, the committee of primary jurisdiction for this matter is the Committee on Finance, due to the potential financial impact of Proposition 92. He cited Bylaw 10.1(a).

Upon motion duly made and seconded, the formal Statement of Opposition to Proposition 92 was adopted by the Committee on Finance.

3. **HIGHER EDUCATION BOND MEASURES: UNIVERSITY PARTICIPATION**

Regent Parsky recalled that in January 2007 The Regents adopted a policy with respect to financial expenditures relative to bond measures, on advice of counsel. The Office of the President was asked to formulate a policy on how the University's support for or objection to individual bond measures might be implemented. There were questions on the use of University employees in this process and a request for a recommendation for action. No specific proposal has been forthcoming. Regent Parsky informed the Committees that he placed this discussion item on the agenda to alert The Regents that there should be a specific item for action by the time of the next meeting. He suggested that the Chair of the Committee on Finance solicit the assistance of a number of Regents to work with the Office of the President on formulating an action item.

Committee Chair Gould concurred with the need to resolve this issue and formulate a set position. He invited Regents Parsky and Kozberg, Chair of the Committee on Grounds and Buildings, to join him in doing so. President Dynes asked if the General Counsel would be involved. Committee Chair Gould answered in the affirmative.

The meeting adjourned at 11:45 a.m.

Attest:

Secretary and Chief of Staff

ATTACHMENT

The Regents of the University of California
Statement of Opposition to Proposition 92

The Community College Governance, Funding Stabilization, and Student Fee Reduction Act will be on the February 2008 Presidential Primary Election ballot as Proposition 92. If passed by the voters, it would enact constitutional and statutory provisions to:

- provide a separate Proposition 98 funding guarantee for the community colleges apart from K-12 education;
- reduce community college fee levels while limiting future increases; and
- establish the California Community Colleges in the state constitution and specify the composition of its governing board.

According to the Legislative Analyst's Office, Proposition 92 "would require the state to spend more for K-14 education than under current law—an average of around $300 million per year" from 2007-08 through 2009-10.

Proposition 92 would be the latest in a long series of ballot measures that dedicate or "lock up" an ever-greater amount and share of the state's General Fund. It would restrict the ability of the Legislature and the Governor to set state spending priorities in the annual budget process at a time when the state is expected to face even larger budget deficits.

The provisions of the initiative would be extremely difficult to alter. Changing the funding provisions would require a four-fifths vote of the Legislature. Under the formula in the initiative, community college fees could very rarely be increased, and, even when they could, a two-thirds vote of the Legislature would also be required.

Proposition 92 requires more state funding and reduces student fees for one segment of higher education without regard to the needs of all of higher education. Since it does not create or identify any new revenue sources, unprotected state programs such as UC and CSU would be competing for a smaller share of available General Funds.

Passage of Proposition 92 could result in a reduction in the University's state-funded budget, which in turn could result in an erosion of University programs and services. It would limit fee increases for one segment of higher education while potentially increasing pressure to raise fees even further at UC and CSU to make up for unavailable General Funds.

The University of California strongly supports the California Community Colleges. The Community Colleges' educational mission is vital to educating the people of California and the University depends on the success of the community college transfer function for nearly a third of its undergraduate students.

However, The Regents of the University of California, mindful of their responsibility for preserving, protecting, and enhancing the excellence of the University and the quality of education it provides, hereby express their opposition to Proposition 92, the Community College Governance, Funding Stabilization, and Student Fee Reduction Act on the February 2008 Presidential Primary ballot.