

The Regents of the University of California

COMMITTEE ON EDUCATIONAL POLICY

January 16, 2008

The Committee on Educational Policy met on the above date at Covell Commons, Los Angeles campus.

Members present: Regents Allen, Blum, Dynes, Garamendi, Island, Lansing, Lozano, Marcus, Parsky, Ruiz, and Varner; Advisory member Brown, Staff Advisors Brewer and Johansen

In attendance: Regents Bugay, Hopkinson, Kozberg, Pattiz, Preuss, and Schilling, Regents-designate Scorza and Shewmake, Faculty Representative Croughan, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Hume, Executive Vice Presidents Darling and Lapp, Vice Presidents Beckwith, Dooley, Foley, and Sakaki, Chancellors Birgeneau, Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, and Yang, and Recording Secretary Johns

The meeting convened at 1:20 p.m. with Committee Chair Marcus presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of November 15, 2007 were approved.

2. REPORT OF THE FACULTY WORK TEAM OF THE STUDY GROUP ON UNIVERSITY DIVERSITY

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

UC Berkeley Vice Chancellor for Equity and Inclusion Gibor Basri introduced the report of the Faculty Work Team, which was commissioned by the Regents. He presumed that the Committee members were also familiar with the report of the President's Task Force on Faculty Diversity, which contains substantial data and proposals.

The Study Group on University Diversity had several components: Undergraduate, Graduate, Campus Climate, and Faculty Diversity. The current presentation concerned only the last component. Mr. Basri briefly reviewed the membership of the Work Team, which included Regents, faculty, administrators, and an outside consultant from another university. He noted that the Team had

the advantage of building on work already completed by the President's Task Force.

Mr. Basri recalled the work of the Task Force: it made site visits to each campus, met with faculty and administrators, and discussed relevant issues and steps being taken toward faculty diversity. The Task Force issued a report with additional data collected by the Office of the President (UCOP). The data in that report provides a good summary of the current status of faculty diversity at UC.

Mr. Basri presented a graph showing the percentages of African American faculty in the entire UC system over almost two decades. He stressed two major points: there are not many African American faculty and their number has hardly changed. If the graph were extended back to 1980 it would look very much the same. These data encapsulate the faculty diversity problem.

Mr. Basri then discussed a similar graph for Chicano/Latino faculty, showing a slightly larger number of faculty which remains relatively constant, with a slight increase. He noted, however, that these numbers need to be considered in the context of California state and national demographics; in that light the University is going backwards. Next he turned to a graph showing total numbers of faculty hires from 1984, with the relative rate of hiring of non-underrepresented faculty compared to these two underrepresented groups. While the numbers fluctuated, their net effect was negligible.

The next graph displayed underrepresented minority faculty as a percentage of all UC faculty through 2005 and three future projections, under three different assumptions. The first projection assumed rates of hiring and separation like those in the year or two after passage of Proposition 209. In this worst-case scenario, faculty diversity would be on the decline. The second projection assumed the hiring rate of 2004, one of the best UC has ever achieved, but kept the separation rate the same. While there is some progress in this scenario, it is not outstanding – from 8 percent to 8.8 percent, and this over a time period of many years, from the present until after 2020. The final projection also assumed the 2004 hiring rate, but corrected the disparity of separation rates between minority and majority faculty. Underrepresented minority faculty leave the University at a slightly higher rate. If this disparity in separations were corrected, the percentage of underrepresented minority faculty would be over nine percent by 2022. Although the University has been hiring underrepresented faculty, their numbers remain constant because these faculty leave at the same rate at which they are hired. The University must do a better job of both recruitment and retention. Mr. Basri stressed that this is the only way to make progress in this area.

Mr. Basri briefly discussed five areas where progress is needed, as outlined in the Task Force report, and that should be addressed by the campuses: active efforts by campus leadership, inclusion of diversity goals in academic strategic planning,

enhanced efforts in recruitment and retention, greater resources and rewards, and accountability. Mr. Basri noted some progress in the first two areas, but focused on the last, accountability, which was the core of the Faculty Work Team report. He emphasized that the Regents need to insist on accountability from the President, who in turn must insist on accountability from the campuses. Activity in this area is beginning, but there has been little progress. Mr. Basri stated that he expects immediate action in this area. By the end of this year, the campuses should have the means to provide the information the President is requesting. He described current data collection on campus personnel actions as chaotic, and observed that it is not easy for campuses to assemble the information requested in the Faculty Work Team report. As a first step in addressing accountability this year, the campuses must pay attention to these areas that have been neglected.

UC Irvine Associate Professor and Director of the UCI ADVANCE Program for Faculty Equity and Diversity Douglas Haynes presented a brief overview of the program. The ADVANCE Program has been in place since 2001, and in July 2006 expanded its mission to include gender equity. The program seeks to create a transparent, inclusive faculty culture; some of its essential elements are an intentional message, consistent dissemination and articulation of this message in policies and procedures, and values-driven decision making.

UCI has embraced the idea of excellence through diversity and integrated it into aspects of institutional culture, including policies that affect faculty recruitment and advancement as well as the expectations of academic leaders. Mr. Haynes believed that this institutional message will lead to values-driven decision making and produce a better institution.

The ADVANCE Program provides sustained engagement by communicating campus goals, monitoring recruitment activity, and evaluating unit results. The Program Director and a team of equity advisors interact with senior administrators and faculty in different units. The Program Director reports to the Executive Vice Provost, sits on advisory bodies, and oversees the team of faculty equity advisors for each school. The equity advisors meet with search committees, review the hiring history of units, and develop appropriate customized best practices for a school or unit. Equity advisors are responsible for coordinating career advising. Career advising includes orientations, mentoring for junior faculty, panels, and workshops. The final duty of an equity advisor is to advise a dean about inequities. Since the 1990s UCI has carried out a salary equity study annually; equity advisors consult with faculty who appear to be experiencing a negative residual in their salary. The equity advisor provides different options to the faculty member, and they consult with the dean.

Mr. Haynes presented an organizational chart of the ADVANCE Program. He noted that UCI received a \$3 million grant in 2001 from the National Science Foundation to initiate the ADVANCE Program. The grant included support for

two chairs, now held by two distinguished women scientists in the physical sciences.

All the equity advisors are tenured faculty who model excellence through diversity. Most have extensive knowledge of the campus through service as director or chair of a unit, and many have received awards. Their participation demonstrates the faculty commitment to this project.

Mr. Haynes emphasized that planning is needed in order to create a diverse faculty. The goal of building a diverse faculty and student body is incorporated in the campus strategic plan and in the planning for the campus capital campaign. The ADVANCE Program has identified \$15 million in priorities to be included in the future capital campaign. In addition, all current faculty FTE requests must address the availability of women and underrepresented minorities. The ADVANCE Program does not tell departments whom to hire, but provides search committees with data to understand the composition of the candidate pool and ensures that searches will use the broadest and deepest pool available.

Mr. Haynes briefly discussed UCI's dedicated *Scholarship on Diversity* faculty FTE program, sponsored in 2006-07, which supports research on diversity in society. The program elicited 20 faculty-led proposals from eight schools; seven FTE have been allocated. He noted that UCI has continued to benefit from the UC President's Postdoctoral Fellowship Program and the associated hiring incentive – the program provides an FTE for campuses that successfully recruit a former or current postdoctoral fellow. Since 2003 UCI has made six such appointments, and a number of recruitment efforts are now under way. These programs have helped to incentivize campus units.

Mr. Haynes informed the Committee of another National Science Foundation grant, received by UCI and other southern California UC campuses in January 2006, the Leading Through Diversity Partnership for Faculty Equity and Diversity award. The grant intends to augment the capacity of chairs and administrators to lead institutional change and to diversify the professorate. Mr. Haynes called attention to the regional cooperation among campuses in this program.

Mr. Haynes finished his presentation with charts showing the actual headcount of UCI underrepresented minority faculty from 2001 to 2008, and its relation to the number of regular rank faculty, indicating that there has been an incremental improvement in numbers. He stated that the campus is not satisfied with these increases; he expressed the hope that through intervention such as the ADVANCE Program, the numbers would improve dramatically. Mr. Haynes noted that the Irvine campus is still growing, and that it hopes to harness the promise of growth to advance faculty diversity.

Provost Hume emphasized that diversity is fundamental to UC's mission. He quoted from the Academic Senate statement on diversity, recognized successful

programs, such as the UCI ADVANCE Program, but opined that the University needs to focus greater and sustained attention to diversity efforts, and needs clear, consistent, regular data on these efforts.

Regent Island stated that the University must improve its diversity efforts and act more quickly. He pointed out that minority groups account for approximately 53 percent of California's population today, while the UC statistics on minority faculty recall California state demographics in 1963. He hoped that chancellors will examine best practices and pursue the goals of diversity with greater urgency. He stated that inclusion of all citizens of the state is the core mission of the University as a land grant institution.

Mr. Basri observed that the UC underrepresented minority faculty population is currently weighted toward older faculty. An exceptional amount of turnover will take place in the next decade, providing an opportune moment for enhancing diversity.

Regent Hopkinson pointed out that the presentation and the Faculty Work Team report focused on underrepresented minorities, but excluded discussion of women, except in exhibits attached to the report. She expressed strong support for these efforts but opined that the issue of women faculty is at least as critical and easier to rectify. She observed that there is a higher percentage of women than men in the UC undergraduate population, but that these percentages are not reflected among faculty. Regent Hopkinson requested action to provide the necessary focus on the issue of gender equity.

Mr. Haynes referred to statistics in his report showing growth in women faculty numbers, especially in the physical and natural sciences. He noted the UC family-friendly policies initiated in 1998, which were designed to allow faculty to pursue an academic career without sacrificing their family life. These policies benefit both female and male faculty. He cited women in leadership positions at UCI – Vice Chancellor for Research Susan Bryant and Dean of the School of Humanities Vicki Ruiz – as examples of UCI's commitment to gender equity. He underscored that the University can support both gender equity and diversity.

Regent Lozano praised the progress made at UCI under the ADVANCE Program. She commended the action-oriented language in UCI's diversity program goals, and suggested that this language be adopted in the performance management appraisal system for Senior Management Group members. She emphasized that this language should address intentionality, articulation of policies and procedures, and decision making. Adequate resources must be provided to ensure significant rather than just incremental progress. She stated that UCI has set out very clear goals, and that the University must hold its institutions accountable.

Regent Garamendi inquired about accountability in UC's diversity efforts, and asked if there is accountability at UCI for success in achieving its program.

Mr. Haynes called attention to one of the documents provided, the UCI Guidelines for Chairs and Directors for Promoting a Faculty Culture of Transparency and Inclusion. The Guidelines were produced in response to Academic Personnel Manual (APM) 240 and 245 and are intended to clarify what the campus means by a good faith effort in carrying forward diversity guidelines. The Guidelines provide a set of expectations and a roadmap for campus academic administrators.

Regent Garamendi believed that success is best seen in numbers, whether in a quota or some other form, and noted that numbers are not addressed by UCI's goals. He asked how the University will hold administrators accountable if they do not succeed. Mr. Basri observed that the numbers of faculty are the result of many factors, influences, and of history. He opined that it is more effective to hold people responsible for their actions. If the actions of administrators are successful, the numbers should respond to their efforts.

Regent Garamendi asked if there is a clear definition of what constitutes an appropriate candidate selection pool. Mr. Haynes responded that there is a national survey of earned doctorates, produced by federally recognized research bodies. This survey provides information on the numbers and percentages of women and underrepresented minority scholars who have received doctorates in a range of fields.

Regent Garamendi asked if the dean or relevant individual is held responsible for ensuring that candidate selection pools reflect these numbers. Mr. Haynes replied that they are encouraged to do so. Mr. Basri added that, if a search is deemed to fall short of a reasonable result compared to availability, there can be a request to extend the search.

Regent Garamendi expressed serious doubt about the success of the program unless people are held responsible. He stated that it is legal to require that a candidate selection pool reflect the relevant population or population cohort. UC should hold the hiring chancellors or deans responsible for this. Mr. Haynes responded that UC does hold them responsible. He observed that equity advisors have signature authority at two stages in the search process; at the beginning, when the position description is written and the search committee is formed, and later, when the short list is formulated. At that point, if there is a discrepancy between availability and the short list, the equity advisor can speak with the chair of the search committee, to extend the search or offer alternative methods to broaden the pool. Additionally, Mr. Haynes stated that, every two years, in their FTE request, all units are expected to explain their hiring record, and their current requests are related to the availability pool. This explanation is a factor in the decision whether or not to grant the FTE.

Regent Garamendi asked if faculty who have received merit increases have achieved diversity goals. Mr. Haynes replied that, in the area of faculty

promotion, UC encourages faculty to undertake actions that promote diversity. Regent Garamendi maintained that without rewards or punishments, the faculty numbers will not change. Mr. Basri opined that the University could do more in this area, and reported that he hopes to advocate for more mechanisms in the future.

Regent Allen asked why a higher percentage of minority faculty are leaving the University. Mr. Basri responded that the reasons for this are not fully understood. There may be an issue of work climate when a person feels isolated, or that his or her line of research is not valued. In other cases, UC succeeds in hiring talented faculty who flourish at the University and are then hired by other institutions. A retention analysis study showed that UC Berkeley succeeds in retaining underrepresented minority faculty as well as it retains other faculty, but there are more attempts to hire minority faculty by other institutions. Mr. Basri noted that, in the future, the University hopes to make more use of exit interviews to understand this phenomenon.

In response to a question asked by Regent Allen, Provost Hume affirmed that the presentation slides would be available to the public. Regent Allen pointed out that one of the presentation charts treated underrepresented minorities in aggregate without considering gender, and failed to recognize the unique issues faced by women of color. He asked what the University's next steps or action plan will be on diversity. Mr. Basri noted that he is a new officer at UCB. As Vice Chancellor for Equity and Inclusion, one of his tasks is to engage in just such a strategic planning exercise, which involves more than academic planning. There is an immediate need for the campuses to meet and agree on accountability measures so that the University can begin to benchmark progress this year. Mr. Basri noted that each campus is taking steps and that there is a broad front of efforts under way. He described accountability as the area requiring the most effort.

Regent Ruiz opined that diversity is an area in which UC can make one of its greatest contributions to the state. He noted the growing State spending on prisons, and opined that one of the University's goals should be to restore funding for education. He expressed support for Regent Lozano's suggestion that diversity goals should be part of the performance evaluation for senior administrators, and opined that there should be rewards for good performance in this area. Diversity goals should be a part of the University's long-term planning, including concrete goals, such as percentages. He described the UCI program as a best practice that all campuses should consider.

Faculty Representative Brown asked how the Irvine campus was able to build support among faculty for the ADVANCE Program. Mr. Haynes cited the remarkable leadership of Chancellor Drake and Provost Gottfredson, who have incorporated the program goals into campus procedures and policies. He stated that there must be a directed conversation on diversity; the campus must have a

vision on diversity and how it benefits the campus community. There must be leadership opportunities for talented faculty who are committed to diversity, such as the role of equity advisors. Efforts must be sustainable and will not achieve results if they are underfunded. Finally, the Academic Senate must be involved. Mr. Haynes noted that UCI has a special Senate committee on diversity, which has modified bylaws to include diversity.

Faculty Representative Croughan observed that all the campuses have diversity initiatives, which have met with varying levels of success. She requested that there be a systemwide meeting for the campuses to learn from UCI and examine best practices. Ms. Croughan opined that there is a need for systemwide policies, but that these efforts are best carried out at the campus level, with leadership from the chancellors. She pointed out that UC has a very diverse student body, undergraduate and graduate, but that this diversity is lost in hiring for faculty positions. Eligible candidates are recruited elsewhere. Ms. Croughan suggested that one reason for this might be loan indebtedness. She noted that other institutions have loan forgiveness programs for underrepresented minority faculty, and that UC should consider such a program.

Mr. Basri responded that systemwide coordination does take place, including systemwide meetings of vice chancellors charged with diversity issues. He noted that he has discussed this with UCLA Vice Provost Rosina Becerra. There is an intention to start such a group, which might be facilitated though not led by the Office of the President. This group would provide an opportunity for campuses to meet regularly to share best practices and develop accountability standards.

Regent Island emphasized that gender equity must be included in diversity efforts. He asked that the University develop metrics for goal attainment and that there be tangible consequences for failure. Mr. Basri affirmed that gender equity is an active concern. It was not included in the presentation in the interest of brevity. He observed that, while the hiring rate for women faculty does not reflect the availability pool, the gender balance at UC has improved and the situation of women faculty is more encouraging than that of underrepresented minorities.

Regent-designate Scorza referred to Provost Hume's proposal for a representative task force on diversity which would involve the Regents. He expressed his support for such an implementation team to develop measures and set goals.

Regent Marcus requested information on comparable institutions in the U.S. to determine the success of UC's diversity efforts. Mr. Basri responded that some relevant statistics can be found in the report of the President's Task Force on Faculty Diversity. He opined that UC performs at least as well as its comparison institutions in this regard.

Provost Hume introduced representatives of the Alliance for Equal Opportunity in Education: Mandla Kayise, Christina Walter, and Blair Taylor. Mr. Kayise

informed the Committee that, in addition to representing the Alliance, he is a board member of the UCLA Black Alumni Association, Ms. Walter is a member of the UCLA Afrikan Student Union, and Mr. Taylor is president of the Los Angeles Urban League.

Mr. Kayise noted that the Alliance has been engaged in discussions with UCLA and the Regents since June 2006 about African American representation at UCLA. He stated that the Alliance's mission has been to increase African American enrollment at UCLA and systemwide. The Alliance has been actively educating the African American community about the crisis of enrollment and strategies to correct the problem, and has offered UCLA a community-based perspective. It has been encouraged by the enrollment results at UCLA last fall, which demonstrate the value of community partnership. Mr. Kayise noted that the Alliance's efforts have helped to increase African American applications to UCLA. The Alliance would like UCLA to move toward a goal of 500 entering African American freshmen by fall 2012, and would like the other nine campuses to pursue similar goals.

The Alliance agrees with three broad recommendations in the report of the Study Group on University Diversity. It would like a stronger public statement of commitment by the Regents endorsing the report and its recommendations. The Alliance agrees with the recommendations concerning best practices in admissions, but wishes to call attention to a number of impediments that disadvantage African Americans in particular. Mr. Kayise requested that the Regents include in these best practices an ongoing effort to identify any unfair disadvantage that policies present to underrepresented minorities. The Alliance calls on UCLA and the Regents to do a better job of identifying leadership with a proven record of achieving diversity and to adopt a more aggressive attitude to diversity among graduate students, faculty, and staff. The Alliance would like greater attention to accountability at UC, and a timeline for progress. Mr. Kayise referred to the federal disparate impact standard and urged the Regents to put in place accountability measures to meet this standard.

Ms. Walter discussed the importance and effectiveness of the University's Student Academic Preparation and Educational Partnerships in preparing many K-12 students for college. She noted the serious budget cuts affecting these programs and urged that State funding for them be stabilized and augmented; the Alliance requests that UC increase the funding for academic preparation programs from \$30 million to \$60 million. She cited the deplorable conditions and lack of resources in K-12 schools in some communities which result in fewer UC-eligible students and less diversity at UC. Ms. Walter also asked that program resources be deployed where the need is most acute. She requested that Alliance members and students be allowed to participate in search committees for the new president and chancellors. The Alliance demands that the next UC president have a demonstrated record of increasing diversity.

Mr. Taylor, a UCLA alumnus, reiterated the Alliance's concerns about adequate funding for UC diversity efforts, UC adherence to federal disparate impact standards, consideration of the definition of merit in admissions, and appointment of a president and chancellors with a commitment to diversity. He encouraged the Regents to develop relationships with community-based organizations. He offered the assistance of the Alliance and suggested that it might be a member of a diversity implementation team. Mr. Taylor emphasized the importance of explicit timelines and metrics for outcomes; the Alliance advocates development of a five-year, metrics-driven plan focused on this issue. He thanked the Regents for their focus and emphasis on what is critically important work not only for African Americans but for the state, and expressed confidence that the University will take the steps necessary to resolve these issues.

Regent Kozberg asked how the Alliance will share what it found to be impediments in applications and admissions, and asked for examples of such impediments in the case of UCLA. She pointed out the large scope of the academic preparation issue, opined that it must be approached through all the higher education segments, not only UC, and asked if the Alliance had examined the California State University's (CSU) efforts in academic preparation. She asked if UC has developed a timetable and metrics regarding disparate impact.

Mr. Kayise responded that UCLA has assessed its approach to admissions. The Alliance examined factors taken into account in admissions. He noted two such factors that should be considered; the overall number of UC-eligible students produced by the applicant's high school, and the time a high school student spends traveling to school. He pointed out that few African Americans in Los Angeles attend school in their neighborhood. Factors such as these affect different segments of UC's applicant pool in different ways, and Mr. Kayise concluded that this calls for a flexible process and individual assessment of applications.

Regent Kozberg asked if the Alliance had examined actions by CSU regarding early assessment. Mr. Kayise responded in the negative. Regent Kozberg suggested that this is a promising tool. Provost Hume stated that UC has a good initial agreement with CSU about joining CSU's assessment program. Mr. Hume stated that he would provide a timetable and metrics on disparate impact.

Regent Garamendi stated that CSU's early assessment program is a powerful tool and suggested that UC should use it. He noted the upcoming report by the Board of Admissions and Relations with Schools, which discusses relevant issues such as availability of counseling for high school students, and the availability of courses needed to meet UC admissions requirements. Regent Garamendi requested a more detailed report on adverse impact.

Regent Lozano praised the efforts of the Alliance, an exceptional citizen-driven effort by external partners of the University. She thanked them for their work

with UC to help recognize deficiencies as well as opportunities where UC can advocate for change.

Chairman Blum stated that the presentation and discussion were useful, and asked the Alliance to continue to monitor the situation. He asserted that UC's diversity efforts are as important as its efforts to be fiscally responsible; in fact the two are related. He expressed his wish to understand better why the UCI program is successful, and how other campuses might follow this example.

Committee Chair Marcus affirmed that citizen involvement will improve the University. He thanked Regent Parsky and former Regent Ledesma for their work on diversity issues, and opined that this will be a long-term challenge for the University.

3. **REPORT FROM THE UNIVERSITY OF CALIFORNIA WORKGROUP ON UNDERGRADUATE AFFORDABILITY**

UC Berkeley Chancellor Birgeneau briefly discussed the creation and membership of the Workgroup on Undergraduate Affordability. He introduced Policy Analysis and Research Coordinator David Alcocer, from the Office of the President.

Chancellor Birgeneau began his presentation by emphasizing that affordability is fundamental to the University's mission. The Master Plan calls on UC to admit all academically eligible students. The Regents' financial aid policy ensures that this is not an empty promise.

The Workgroup's first task was to assess whether UC is financially accessible. Chancellor Birgeneau asserted that the current financial aid system meets the needs of the majority of UC students, but not all. He expressed pride in the fact that UC enrolls a significantly greater percentage of low-income Pell Grant recipients than comparable universities, elite private and public schools whose student bodies are weighted toward middle- and upper middle-income students. Approximately one-third of UC students receive Pell Grants; their annual family income is less than \$40,000. In this the University is three times more effective than its peer institutions, which is made possible by the Regents' financial aid policy.

Next Chancellor Birgeneau turned to other affordability indicators. He observed that the income mix of students has not changed despite the increase in fees. Graduation rates are similar for students with different levels of family income. He attributed this to the successful efforts of campus support services to assist students from disadvantaged backgrounds. He compared the 88 percent graduation rate at UC Berkeley to the 67-70 percent rate at large public universities in the Midwest. Mr. Birgeneau stated that UC students generally graduate with manageable debt; the average debt of a UC student at graduation is

\$7,500, an extraordinarily low number nationally. Mr. Birgeneau opined that the financial aid system is working well now, but that there might be problems on the horizon.

Chancellor Birgeneau discussed the three components of UC's financial aid system: self-help, grant assistance, and parental contribution. The University expects all students to make some contribution to the total cost of their education through self-help. The total annual cost for attending a UC campus is about \$25,000; fees make up about \$7,200 of this total. Students provide this self-help through working or loans. The University provides grant aid to keep the self-help level low. The University's calculation of the parental contribution is based on a federal formula. UC provides moderate help to middle-income families as fees increase.

Chancellor Birgeneau noted that 15 percent to 20 percent of UC students are from very low-income households, with annual income of around \$20,000. For these students, there are only two financial aid components, self-help and grant aid; UC does not expect a parental contribution. Mr. Birgeneau stated that the greatest challenge to UC's financial aid system and to the guarantee that every eligible California student can attend UC is the projection that self-help will become less manageable in the coming years. He presented a graph showing both a projected target level of manageable self-help, currently at \$9,000, and the projected level of self-help based on available financial aid funding, for ten years into the future. Assuming that fees will increase by six percent annually, the projected level of self-help based on available funding in 2017 will be \$16,700.

Mr. Birgeneau stated that the great difference in the projection between the manageable self-help goal and the projected level of self-help based on actual available funding is due not to increases in fees, but to increases in non-fee costs, including food, room and board, books, and transportation. He observed that the current financial aid system is based on the level of fees, and opined that a fundamental fault of UC's financial aid system is that it is tied to the size of fees, not to the total cost of attending UC. As costs increase, more students will need UC grants, and limited resources will have to be spread even further.

One suggestion has been to fix fees at the present level of \$7,170. Chancellor Birgeneau presented another graph showing levels of projected self-help with no fee increases and self-help with fee increases. If the current financial aid system is kept in place, the projected level of self-help will rise to \$18,300 by 2017, rather than \$16,700. Fixing fees would thus significantly increase the debt load of the poorest students. He stressed the need to address this impending crisis of affordability, citing the overwhelming impact the situation has on underrepresented minority students, who often come from low-income families. It is clear that the University must maintain access for low-income students.

Chancellor Birgeneau then discussed a chart showing UC's expectations for relative amounts of self-help, parental contribution, and grant assistance for low- and middle-income students at various income levels, based on federal guidelines. He discussed developments of the financial aid policy at Harvard, including the redefinition of "poor" students for financial aid purposes. At Harvard, a family with an income up to \$180,000 will be expected to pay only up to ten percent of their income. Mr. Birgeneau pointed out that a student might pay more to attend UC than to attend Harvard. This is made possible by the substantial Harvard endowment, which is now being used to enhance financial aid.

Chancellor Birgeneau cautioned that UC is witnessing an erosion in the enrollment of middle-income students due to the escalation of UC's total annual cost to almost \$25,000. Middle-income students are under-participating by about five percent. The University must maintain access for middle-income students by developing a more reasonable expected parental contribution. As this happens, however, more students will become eligible for grants, and either this grant funding will be taken away from lower-income students, or the University must find new resources.

Chancellor Birgeneau next discussed the case of students who face additional challenges. Undocumented AB 540 students are ineligible for UC, State, or federal aid. Mr. Birgeneau informed the Committee that the Berkeley campus has prominent supporters who would like to help undocumented students and who would like the University to steward the funds. Currently the Berkeley campus is not allowed to accept these donations. A change in Regental policy would allow the campus to accept these funds. Mr. Birgeneau also mentioned the case of students with exceptional burdens, such as students from very low-income families who must support siblings, and former foster youths and orphans who lack a financial safety net. These classes of students require resources exceeding UC's standard financial aid package.

Chancellor Birgeneau then outlined recommendations for a funding strategy. The Workgroup recommended that that University must both generate new, additional funds from external sources for its students, and raise the priority of undergraduate aid for existing UC resources by moving resources used for other projects to undergraduate financial aid.

Chancellor Birgeneau called for a campus and systemwide effort over ten years to raise money from private sources to create an endowment for need-based financial aid. The minimum amount that will be needed ten years from now is \$2 billion. The University might raise the \$2 billion itself, or ask the State to create a public-private partnership in which the State agrees to match donations to this endowment. The University would raise \$1 billion from private sources, with \$1 billion in matching funds from the State. Mr. Birgeneau described how the second model, the public-private partnership, succeeded in creating a substantial

endowment at the University of Toronto, and noted that State legislators may be receptive to such a proposal.

Chancellor Birgeneau pointed out that Cal Grant B awards do not cover fees in the first year. This could be changed by approval of the Legislature. If the Cal Grant B program were changed to cover fees for all four years, this would add \$75 million in financial aid by 2017-18. Another Workgroup recommendation is to increase undergraduate return-to-aid on new fee revenue from 33 percent to 40 percent over the next seven years, which would generate \$48 million. The final recommendation is that a 20 percent portion of new investment revenue from the Short-Term Investment Pool (STIP) be allocated explicitly to need-based undergraduate financial aid.

If all these recommendations are implemented and succeed, the University will achieve its self-help goals for low-income students through 2015. Parental contributions will be reduced systemwide by \$40 million annually. There will be further challenges after 2015. Chancellor Birgeneau concluded by stating that the Workgroup is soliciting input on this draft report and expects to submit the final report and recommendations by the next meeting. The UC system should consider these recommendations beginning with the 2008-09 budget. He emphasized that the University must start now, as the income from these strategies grows progressively over years, and every year of delay will increase the burden on students.

Chairman Blum praised the presentation for its thoughtful, constructive proposal. He stated that the University should take up the challenge presented, work diligently over the next months, and reach conclusions. Referring to the proposal for an endowment with State matching funds, he expressed optimism about the University's ability to raise \$1 billion. He referred to the recent \$135 million grant to the Berkeley campus from the Hewlett Foundation and noted that, a few months ago, Assembly Speaker Núñez was prepared to move forward with the recommendation of a \$1 billion match if the University raises this amount. Chairman Blum opined that UC should explore this option further with the Legislature, perhaps with the help of Regent and Lieutenant Governor Garamendi.

Chairman Blum referred to Harvard's redefinition of middle-income families for financial aid purposes, and suggested that UC might adjust the income thresholds that determine expected parental contributions from \$60,000 to \$80,000, and from \$100,000 to \$120,000. This would make a difference, although the financial impact is uncertain. He noted the recommendation to allocate 20 percent of STIP fund revenue to undergraduate financial aid. Chairman Blum informed the Committee that the STIP funds represent approximately \$7 billion, earning interest at a rate of 4.2 percent. If the University were to earn 5 percent on the \$7 billion, this would generate \$350 million. Twenty percent of this \$350 million, the amount suggested by the recommendation, would provide a significant addition of \$70 million for financial aid.

Chairman Blum stated that he was uncertain about the political and legal implications surrounding aid for undocumented students. He suggested that there might be foundations, 501(c)(3) organizations independent of UC, that would provide aid for undocumented students. He opined that the University should explore this option within the bounds of what the law allows, especially if there are interested donors.

Regent Schilling recalled that the Committee on Long Range Planning has spent a great deal of time determining priorities for the University. She asked if undergraduate affordability is a higher priority than other issues such as seismic corrections or increasing graduate student enrollment. She cautioned that the issues involved in management of the STIP are more complicated than they appear and asked who would guarantee the risk if money is taken from STIP revenues.

Chancellor Birgeneau responded that the importance of undergraduate affordability reflects the University's values as a land-grant institution serving the people of California. The largest number of UC students are undergraduates. He expressed his personal conviction that undergraduate accessibility is as important in UC's financial model as faculty salaries, graduate student support, and seismic corrections. The University's mission is to educate students, and it has a commitment to ensure that all qualified students can attend. Mr. Birgeneau emphasized that this will become progressively more difficult in the future; he affirmed his commitment to raise funds needed for financial aid. He discussed the potential of private donations and opined that a \$1 billion goal is conservative for UC. He reiterated that government matching funds are essential.

Regent Garamendi asked if a fundamental assumption of the Workgroup report is that the University needs to continue to raise student fees because the State is not paying its share. Chancellor Birgeneau responded that the calculations in the report, which assume a six percent average fee increase, show that if the University freezes fees with the existing financial aid system, student debt will increase. Committee Chair Marcus noted that the presentation involves a model assumption that is not focused on fees.

Regent Garamendi stated that the reason for this annual fee increase is that the State contributes less support than in the past. He noted that, in 1990, the State provided UC with \$15,000 for every student; that support is now \$10,000. The burden of making up for this difference has been transferred to students. Chancellor Birgeneau responded that the burden has been transferred to students whose annual family income exceeds \$100,000.

Regent Garamendi noted that UC requires student participation at a level of approximately \$9,000. Chancellor Birgeneau explained that this self-help is a combination of loans and working, and that most of this amount comes from work

income. Regent Garamendi calculated that \$9,000, at minimum wage, would represent 1,130 hours of work, or 27 weeks at 40 hours a week. He asked if the University expects this of students. Chancellor Birgeneau responded that, on average, students work less than this amount and that the amount students work is independent of family income. He affirmed that the number of hours students work was an important issue for the Workgroup, which made a significant effort to rely on factual rather than anecdotal data. Students typically work 10 to 20 hours weekly; low-income students work the same hours as higher-income students.

Regent Garamendi requested clarification that most of the \$9,000 in student self-help comes from work. Chancellor Birgeneau confirmed that this is based on the fact that the average annual student loan is less than \$4,000 for low-income students. He noted that the total number of hours worked includes work during the summer months as well as the academic year. Many students work full-time during the summer. Mr. Birgeneau pointed out that students use this money to cover living expenses, not fees.

Regent Garamendi requested an estimate of the average number of hours students work during the academic year. Mr. Alcocer cited the most recent available survey of UC undergraduates. Forty-five percent of all undergraduates reported that they do not work. At every income level, at least one-third of students report that they are not working. About 12 percent work more than 20 hours weekly, which the University considers excessive. The rest fall somewhere between these two. The average for working students is about 14 hours weekly. Mr. Alcocer noted that there is not much variation in the number of hours worked during the academic year, based on parental income.

Regent Garamendi asked if students will be expected to work more as fees rise. Mr. Alcocer replied that the University has investigated trends in student-reported work over time. There is no indication that students are working more now than in the past, or that students at a particular income level are working more. He observed that these surveys are carried out every two to three years on a limited sample of students. While it is necessary to be cautious about conclusions, the available data show no systematic increase in student work.

In response to a question by Regent Garamendi, Chancellor Birgeneau explained that, in the current model, where resources available for financial aid to meet the cost of living align with fees, fees will go up to cover the increased cost of living. This does not mean that the University should not change the model. The University could adopt a model with fixed fees, but this would require increased investment in financial aid by the State. Regent Garamendi stated that he would recommend such a model. Chancellor Birgeneau continued that it would be possible to fix fees, but students will need additional resources to address the nominal rate at which the cost of living increases while they attend the University.

Mr. Alcocer added that, in terms of UC student expenses, the University estimates the rate to be about six percent of the overall cost of attendance.

Regent Garamendi observed that the model indicated that the student cost of living is increasing at a lower rate than the escalation of fees. Mr. Alcocer replied that fees are increasing by six percent, while the overall cost of attendance is expected to increase by 5.3 percent. Regent Garamendi stated that it is important to recognize that the most rapidly increasing portion of the overall cost is fees. Chancellor Birgeneau countered that seven-tenths of one percent represents a marginal difference. He stated that, in absolute dollars, student costs other than fees are increasing more rapidly than fees. Health care, food, and textbooks are the significant reasons for the increasing cost of UC education, not fees.

Chancellor Birgeneau affirmed that he and Regent Garamendi are both committed to accessibility; the issue in question is the optimal methodology to guarantee accessibility for the whole population of California. The Workgroup model is an extrapolation from the past to the future; it foresees a possible crisis for middle- and lower-income students that must be addressed. Mr. Birgeneau remarked that one solution would be simply to ask the State to solve the problem, for example by doubling Cal Grant awards.

Committee Chair Marcus emphasized the importance of this debate and thanked Chancellor Birgeneau for elucidating the salient points of this issue.

Regent Hopkinson expressed agreement with the proposed objective, but opined that it needs to be put into the context of the work of the Committee on Long Range Planning, to be assessed as one additional item in a process which is already well under way, and to clarify the impacts of various goals and their effect on the cost to students.

Regent Varner asked if there is a UC policy to match student employment with the needs of the University. Provost Hume responded that this goal is being pursued effectively on many campuses.

Regent Gould opined that the University needs a more comprehensive model of total student costs to help shape programs and support for students. He concurred that this issue needs to be integrated into the work of the Committee on Long Range Planning. He referred to the Governor's proposed budget for this year and enumerated many of UC's funding needs. Regent Gould acknowledged the importance of accessibility, but stated that concern for it must be integrated with concern for the other compelling needs of the University.

Regent Island noted that, in response to the crisis of affordability, some universities, such as the University of Michigan and the University of Virginia, have become increasingly privatized. He stressed that the Regents must consider carefully whether UC should follow this example, replacing public support with

private support. He cautioned that significant fundraising from private sources for financial aid might lead the State to decrease its general contributions to UC. He emphasized that students' accounts of their personal financial difficulties should not be dismissed as anecdotal. He stated that the paradigm discussed in the presentation is only one among others; the University should consider changes, including changing grant formulas. The University should not implement a plan that allows for student fee increases indefinitely. Regent Island recalled that the cost of UC education has doubled in six years.

Regent Allen expressed concern about "sticker shock," that students might be discouraged from even applying to UC by the cost and might not be aware of financial aid options. Chancellor Birgeneau noted that the current cost to attend UC is nearly \$25,000; nevertheless, one-third of UC undergraduates receive Pell Grants. He observed that, as the cost of education rises, UC must communicate more effectively with the public about its financial aid system and must ensure that the financial aid resources are available.

Regent Allen stressed that undergraduate affordability is a high priority for UC. He cited UC's status as a public university, its land-grant mission, and its commitment to accessibility and to be responsive to the people of the state. He stated that undergraduate affordability should be a top priority in the discussion of long-range planning and expressed support for the use of investment income toward this goal. He pointed out the significant differences among some Regents and administrators in their vision for the UC financial aid system, and opined that these differences might account for the muddled stories that sometimes appear in the press.

Chancellor Birgeneau stated that the Workgroup model and calculations were developed without prior assumptions about how they might evolve and what conclusions could be drawn from them.

Faculty Representative Brown opined that action on this issue would be premature at this time. He noted that the conclusions of the Workgroup report contradict the Futures Report, the Academic Senate report on Current Budget Trends and the Future of the University of California, in some points. Mr. Brown asked that the broader UC academic community have an opportunity to discuss the Workgroup report and provide input into the recommendations before those recommendations are brought before the Regents for a decision. Chancellor Birgeneau responded that the report should generate a discussion since it touches on the University's values. He agreed that the report should be vetted by the UC community.

Regent Parsky stressed the importance of this subject. Stating that he wished to correct the record, he asserted that the Workgroup report does not advocate an increase in student fees. Instead, the report suggests that one way to maintain student aid is through the return-to-aid program, which comes from increases in

student fees. He expressed concern about a possible incorrect impression of the report on this point. Regent Parsky urged that the issue of privatization be discussed very carefully. He expressed his view that an increasing willingness to receive private donations does not result in privatization of the University. He emphasized that there is a significant difference between receiving private donations and changing how the University functions as a public institution. He urged the Regents to have a careful discussion in the coming months about how the University can increase private support while not changing its public nature.

Committee Chair Marcus concurred with Regent Parsky and opined that public and private universities will become more alike in the future. The University's conduct will distinguish it as a public institution; it is likely that UC will not have a choice about the source of its funding.

Regent-designate Scorza referred to the statistics on UC enrollment of low-income Pell Grant recipients compared to other institutions. He asked if the University has information on comparable populations in other states, such as Michigan, and if the University examines population statistics to determine whether it is in fact diverse and inclusive of low-income students. Chancellor Birgeneau responded that the University of Michigan, in response to disinvestment by the State, replaced low-income, in-state students with higher-income, out-of-state students. Mr. Birgeneau described this as a kind of privatization and stressed that UC is not proposing to do this.

Committee Chair Marcus anticipated that this issue will return to the Committee on Educational Policy and that the challenge of affordability will have to be addressed in stages, including regulatory or policy changes in the short term. Major elements will have to be examined by the Committee on Long Range Planning. He emphasized that the allocation of University resources is not a zero-sum game. He believed that there are many sources of capital and donors who might be interested in helping the University in this area but not in others. He asked President Dynes and Provost Hume to return to the Committee with both short- and long-term strategies.

4. **QUARTERLY REPORT ON PRIVATE SUPPORT, FIRST QUARTER
JULY 1 – SEPTEMBER 30, 2007**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Darling presented a brief overview of private support, which achieved excellent results in the first quarter. He recalled that the University uses two measures for its results. The first, cash receipts, are up 16 percent in the first quarter, an increase of about \$35 million over the same quarter last year. The second measure, new gifts and pledges, have increased from \$223 million last year to \$500 million for the first quarter of this year due to

some significant gifts. Mr. Darling credited this huge increase to the efforts of chancellors, assistance by the Office of the President, and the commitment of phenomenal donors who wish to enable the public purposes of the University. Mr. Darling concluded by informing the Committee that new pledges in the first quarter of last year were \$43 million; for the first quarter of this year they have increased to \$289 million.

5. **FEDERAL ISSUES UPDATE**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Darling discussed the importance of the federal government as an essential partner for the University, citing the revenue it provides and the regulatory, statutory, and policy effect it has on UC. Last year, funding from the federal government was substantially greater than that from the State; UC received \$6.7 billion from the federal government and about \$3.7 billion from the State government. Both are essential; federal funding is used for specific purposes while State support is more general. The University was ranked thirteenth among all contractors for the federal government. Only two other universities, Caltech and Johns Hopkins, are among the top 50 contractors. Federal legislation related to student financial aid, patent policy, and other issues drives much of UC's agenda, and the University must therefore monitor this legislation. UC is a national leader in Washington on these issues, working with Congress, executive branch agencies, professional associations, and others.

Mr. Darling introduced Assistant Vice President Scott Sudduth, who began his presentation with a reminder of how significant the federal investment in UC is, particularly in research, student financial aid, and health care. About a month ago, Congress and the Administration finally agreed on a budget for the remainder of the 2008 fiscal year. The overall increase in federal funding for research was only 1.2 percent, the fourth consecutive year of decline in this area. While Congress had agreed to increase Pell Grants, the increase was only \$62 per student.

Mr. Sudduth recalled that UC and other research universities benefited from sustained growth in federal research funding in the 1990s and dramatic growth toward the end of that decade. The University was able to expand research facilities and support for faculty and graduate students. This support for research is now dropping off significantly. Research funding will be a challenge for the remainder of this Congressional session.

Congress is also focusing attention on college costs and endowments. As Congress rewrites the Higher Education Reauthorization Act, it is including more reporting requirements and demanding greater transparency about the cost of college for families. Legislators are creating a watch list of institutions where

tuition and fees increase above a certain percentage. The law will also include a State Maintenance of Effort provision, highlighting states that provide support for public institutions and demanding that they do more.

Mr. Sudduth stressed that Congress has an abiding interest in the management of college and university endowments and in how funds are spent. A national survey to be released next week shows that, for the second consecutive year, college and university endowments have grown to record levels. More and more universities have entered the "billion dollar club." Senior members of the Senate Committee on Finance are aware of this trend and are questioning whether universities are spending enough of their own funds and endowment to address accessibility and affordability. Some Committee members are recommending a mandatory payout of public university endowments, similar to the mandatory payout already required of private endowments. For senior Committee members, the new financial aid programs recently announced by Harvard and Yale serve as a confirmation of their own interest and wish that universities spend more of their endowments.

Mr. Sudduth emphasized that UC's action plan involves collaboration on a systemwide basis as well as with other research universities. He noted that there are issues on which the Regents could offer assistance to the University. A significant issue regarding federal student financial aid is that the federal formula for determining parental contribution has not been revised since 1965. This formula has no regional sensitivity based on the cost of living. The University has proposed a regional sensitivity index to the Chairman of the House Committee on Education and Labor. Chairman Miller's staff is examining the issue. Progress on this issue would enable UC to help parents address college costs in a more reasonable fashion.

Regent Garamendi requested a detailed briefing paper on federal student loan programs, including the political background and the position of Congressman Miller.

The meeting adjourned at 4:30 p.m.

Attest:

Secretary and Chief of Staff