The Regents of the University of California

COMMITTEE ON FINANCE
COMMITTEE ON COMPENSATION
July 15, 2009

The Committees on Finance and Compensation met jointly on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Representing the Committee on Finance: Regents Bernal, Garamendi, Island, Kozberg, Lozano, Makarechian, Schilling, Varner, and Wachter; Ex officio members Blum, Gould, and Yudof; Advisory member Croughan; Staff Advisors Abeyta and Martinez
Representing the Committee on Compensation: Regents Johnson, Kozberg, Lozano, Stovitz, and Varner; Ex officio members Blum, Gould, and Yudof; Advisory members Croughan and Hime

In attendance: Regents De La Peña, Kieffer, Lansing, Marcus, Nunn Gorman, Reiss, Ruiz, and Zettel, Regent-designate Cheng, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Pitts, Executive Vice Presidents Lapp and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Broome, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, White, and Yang, and Recording Secretary Johns

The meeting convened at 10:20 a.m. with Committee on Finance Chair Lozano presiding.

1. **AMENDMENT OF STANDING ORDER 100.4 – DUTIES OF THE PRESIDENT**

The President recommended that the Committees on Finance and Compensation recommend that:

A. Pursuant to Bylaw 7.3, the requirements of Standing Order 130.1 be suspended for purposes of this item.

B. Standing Order 100.4 be amended as shown in Attachment 1.

[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.]

[Regents were provided with a packet of correspondence received regarding this item, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee on Finance Chair Lozano noted that the Regents had received a letter from Altshuler Berzon LLP, a law firm representing the Council of the University of California Faculty Associations, and asked General Counsel Robinson to address the issues raised in the letter.

General Counsel Robinson reported that the letter questions the University's ability to proceed in a manner consistent with its governing documents with regard to this and the following item. He stated that, after examining the letter and carefully considering the matters presented, he had concluded and confirmed that there is no impediment to proceeding with these items. With respect to the proposed amendment of Standing Order 100.4, it was his view that the discussion which took place about this matter at the May meeting satisfied the pre-notice requirements of Standing Order 130.1. In addition to this, and to be absolutely certain on this point, the item recommends suspension of that Standing Order. Mr. Robinson stated that the Altshuler law firm is mistaken in its belief that there is no authority to seek such a suspension. Bylaw 7.3 explicitly provides for this type of suspension by a two-thirds vote by members of the Board.

With respect to the second item, regarding issuance of a declaration of extreme financial emergency and a furlough/salary reduction plan, Mr. Robinson stated that the President has the inherent authority, independent of the first item, to seek approval of this plan. Contrary to the assumptions of the Altshuler law firm, the proposed amendment of Standing Order 100.4 is not a necessary precondition for the Regents to act on the second item. Moreover, the proposal was delivered to the Regents and posted with sufficient time to allow the Regents to discharge their fiduciary responsibilities. Nothing more is required by law and nothing more is suggested by the Altshuler law firm. Mr. Robinson reiterated his opinion that the Regents could proceed.

Executive Vice President Lapp recalled that this item, the proposed amendment of Standing Order 100.4, was presented for discussion at the May meeting. At that time, the Regents were advised that the item would be amended as appropriate, following input from the Regents and the University community, and brought back for action in July. Prior to and since the May meeting, the draft Standing Order amendment has been made available to the entire UC community. Comments were received from the Chair of the Committee on Compensation, chancellors, the systemwide and divisional Academic Senate membership, and both represented and non-represented staff. Three repeated substantive comments were received from all groups and were incorporated into the final version. The item now has a clear sunset provision of one year for any declaration of financial emergency. It is limited to conditions of extreme financial emergency, not other major events, such as natural disasters. Finally, a section which provided for approval by interim action in cases when time does not permit the full consultation and review process has been removed.

Regent Garamendi asked when this item was made available to the Regents. Deputy General Counsel Blair responded that the draft item was submitted to the Regents prior to the May meeting. The current version was made available before the present meeting, and the substantive changes mentioned by Ms. Lapp limit the scope of the Standing Order and the President's authority, rather than expand it.

Regent Garamendi asked about changes to the item. Mr. Blair explained that there were no changes to the item in the previous ten days, with the exception of the change noted by Mr. Robinson, making explicit that it is Standing Order 130.1 that is to be suspended. Secretary and Chief of Staff Griffiths stated that notice was posted on July 2. Mr. Robinson clarified that the only change made to the item within the previous ten days was to sentence A. in the recommendation, which now states: "Pursuant to Bylaw 7.3, the requirements of Standing Order 130.1 be suspended for purposes of this item." It is a clarification regarding the suspension.

Regent Garamendi asked about the impact and results of this action. President Yudof explained that there was no relevant Standing Order when salary reductions occurred in the 1930s and 1990s. He reported that, when he examined this problem, he was informed that there was no operative framework for consulting with various University groups. He informed the Regents that, even if the proposed amendment of Standing Order 100.4 were not approved, there is no requirement for consultation, and the Board has full fiduciary power to implement furloughs, layoffs, and other lawful measures. The Board has the general fiduciary rights of a governing body of a public institution. This item is an attempt to limit the power of the Board, by requiring it to consult with staff representatives and the Academic Senate. The consultation process was strengthened by limiting applicability to conditions of extreme financial emergency, and by removing the possibility of approval by interim action. He reiterated that, even if this item were not approved, the Board still has the authority to approve the following recommendation for declaration of extreme financial emergency and a furlough/salary reduction plan. The Board has always had this authority.

Faculty Representative Croughan reported that she was involved in the development of this item, and emphasized that this is a role not usually played by the Chair of the Academic Senate. The original version of this item was presented to the Board in May. At the same time, the item was distributed for Academic Senate review, systemwide and at the campuses. Every Academic Senate and faculty member had the opportunity to provide input. She stated that every suggested or requested change provided by the Academic Senate review was reflected in the final version of the item. She referred to the changes mentioned earlier regarding conditions other than extreme financial emergency and the ability to act by interim action. The item maintains the requirement for full consultation with the Academic Senate. Ms. Croughan reported that President Yudof met regularly with the Academic Council to discuss this and the following item.

Ms. Croughan stated that she wished this action were not necessary. It is desirable that the President's and the Regents' powers be restricted, and that the requirement for consultation be expressed in policy. She described the measure as a step forward for shared governance and an improvement of policies for addressing these types of crises.

Upon motion duly made and seconded, the Committee on Finance approved the President's recommendation and voted to present it to the Board.

2. **RECOMMENDATION FOR DECLARATION OF FINANCIAL EMERGENCY AND APPROVAL OF BUDGET REDUCTION ACTIONS**

The President recommended that the Committees on Finance and Compensation recommend that the Regents take the following actions to address the emergent financial crisis facing the University as a result of proposed drastic reductions in the level of State funding due the University:

A. Issue a Declaration of Extreme Financial Emergency, effective September 1, 2009 to August 31, 2010, in the form attached hereto as Attachment 2, based on the findings set forth therein.

B. Approve a Furlough/Salary Reduction Plan ("Plan") developed by the President to address the emergency, as set forth in Attachment 3.

C. Authorize the University of California Retirement Plan ("UCRP") to be amended to preserve UCRP members' calculation of covered compensation and the rate of accrual of service credit at their pre-furlough/salary reduction level for the duration of the Plan, and that the Plan Administrator of the UCRP be authorized to implement such amendment.

D. Authorize the President to make Plan modifications and changes consistent with the Plan principles, as may be required for its implementation, during the Plan period.

[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.]

[Regents were provided with a packet of correspondence received regarding this item, and copies are on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Lapp explained that this item has four elements. It requests that the Regents issue a declaration of extreme financial emergency; it requests approval of the President's proposed furlough/salary reduction plan; it seeks to amend the UC Retirement Plan (UCRP) in order to protect employees' retirement benefits; and it requests authorization for the President to make appropriate modifications. She recalled that the State has proposed an $813.2 million reduction in appropriations for the University for fiscal years 2008-09 and 2009-10. She discussed a chart which displayed the President's proposal to address this reduction. Increases in student fees approved by the Regents for 2008-09 and 2009-10 will help generate approximately $211 million and will cover about 25 percent of the reduction. Another 25 percent will be covered by the proposed furlough/salary reduction plan, which is expected to generate approximately $184 million. Chief Financial Officer Taylor will be undertaking an effort to restructure the University's debt, saving about $75 million and offsetting about ten percent of the reduction. Forty percent of the reduction will be absorbed by the campuses. Ms. Lapp emphasized that these reductions are cash reductions in appropriations; they do not take into account unfunded cost increases, which total about $335 million.

The $813.2 million reduction in State funding represents a 20 percent cut from fiscal year 2007-08. This 20 percent reduction within a period of 12 months is unprecedented in the history of the University. In the 1990s, the University faced a $300 million or 16 percent reduction, but over a three-year period. In the early 2000s, the budget was reduced by about $600 million, but also over a three-year period.

The furlough plan takes a graduated approach. Comments received during the consultation process showed a wish for higher-paid employees to receive a deeper salary reduction. Employees earning under $40,000 annually would receive a four percent reduction and 11 furlough days. The graduated scale continues up to salaries above $240,000, which will receive a ten percent reduction and 26 furlough days.

Employees will be required to take furlough days during the plan period, September 1, 2009 to August 31, 2010. Senior Management Group members are limited to 10 furlough days regardless of level of salary reduction. The item requests an amendment to the UCRP to ensure that employees' retirement benefits are not adversely impacted.

When the University first proposed options for furloughs and salary reductions, it planned to apply this measure to all UC employees. During the consultation and review, it was determined that certain individuals should be excluded from this plan. These include Lawrence Berkeley National Laboratory (LBNL) employees. The Department of Energy, which funds the Laboratory, declined permission to apply the plan to LBNL employees. Student employees, undergraduate, graduate, and postdoctoral, are excluded because the money they earn is being used for their education and training. Foreign national students with H-type visas file documentation regarding their earnings when they enter the U.S. If the University reduced those earnings, these students would have to go through an extensive administrative process for approval. They are excluded in order to avoid this. Faculty and staff whose salaries are funded 100 percent from research contracts and grants are excluded. Ms. Lapp reported that the University is exploring the question of how to treat employees who are funded partially by research grants and partially by State funding. At the present time, the University payroll system does not have the nimbleness to distinguish among these funding sources. The President has asked that the campuses examine this possibility and has requested plans by October 15. If possible, these changes will be implemented prospectively. Another category is those employees currently enrolled in the Staff and Academic Reduction in Time (START) program, which allows voluntary reductions in time. Employees whose voluntary reduction in time is equal to or exceeds the targeted reduction are excluded. Finally, participation in the furlough/salary reduction plan by some employees is precluded by law. These are employees whose contracts cannot be amended. Nevertheless, the President has requested that these employees voluntarily reduce their salaries.

Ms. Lapp enumerated advantages of the plan. It provides the necessary flexibility to the campuses and medical centers to manage their operations. The administration will work with the CEOs of the medical centers and the chancellors of those campuses with medical centers to determine whether modifications to the plan are needed, in recognition of their unique circumstances. The plan gives employees furlough days off as opposed to a straight salary cut. It incorporates a graduated approach, with higher-compensated employees shouldering more of the burden. It protects UCRP retirement benefits and it exempts academic and staff employees with 100 percent salary funding from contracts and grants.

The consultation and review process for the plan began in June. On June 17, President Yudof distributed three options incorporating furloughs and salary reductions to the UC community, including the Academic Senate. The President met and consulted with the chancellors and executive vice chancellors. Senior Vice President Stobo has consulted regularly with the medical centers. President Yudof has issued video messages and written communications to all employees. He has received thousands of letters and email messages in response to those options. The chancellors have held town hall meetings and meetings with faculty and staff to solicit input. President Yudof met with the Academic Senate several times. The Academic Senate provided written comments to the administration on July 9; these have been incorporated into the plan. The Staff Advisors to the Regents and the UC Staff Assemblies solicited staff comments and shared them with the President.

The plan expires 12 months from the date of implementation. In order to be renewed, it would have to undergo the same consultation process and be presented to the Regents for approval. The plan generates approximately $184 million in General Funds, or about 25 percent of the reduction in State funding. In total, it generates roughly $500 million when applied to the medical centers and auxiliary enterprises. Ms. Lapp reiterated that, in addition to the cuts in State funding, the campuses must shoulder a $335 million cost burden due to student over-enrollment, health benefit increases, and utility costs.

Executive Vice President and Chief Financial Officer Taylor reported that the University is scrutinizing its debt portfolio to provide cash flow relief in this and the next fiscal year in order to forestall some of the impact of the present difficult financial condition. The proposed debt restructuring, which will be brought to the Regents for approval in September, will allow for budgetary relief of $75 million this fiscal year and $75 million in the next fiscal year. The debt restructuring will focus on Educational and General category projects that have flexible repayment revenue streams. The University's current debt portfolio is heavily front-loaded. While this provides a somewhat lower cost over time, under present conditions, with lower cash flow, it places the University's financial flexibility under great stress. Some of the principal due this fiscal year can be moved out between 6 and 18 years on the debt portfolio at a total cost, in 2009 dollars, of only $2 million. These $2 million will provide $150 million of financial flexibility. Beginning in the following month, the University plans to issue long-term bonds for approved campus and medical center capital projects, projects that are already under way. Mr. Taylor recalled that it is extremely expensive to put projects on hold. The University is taking this action to take advantage of long-term rates, but mostly out of financial need. The University finances projects through its commercial paper program in order to more closely match borrowing with times when contractors need money to pursue construction schedules. The University has already issued several hundred million dollars in its commercial paper program. These are funds the University needs to meet payroll in July, August, and September. The University is working aggressively to bring these bond issues to market in order to increase liquidity and to allow UC to meet its financial obligations in the coming months.

Chairman Gould complimented President Yudof and Office of the President staff and UC staff and faculty for a thoughtful and responsible approach. This item raises complex issues of equity, such as the question of positions funded by research and non-State funds. He described this item as a thoughtful and fair compromise. No one wishes the University were in this position. Chairman Gould also praised the work of Mr. Taylor, who has carried out a review of the University's debt portfolio over the last few months and identified substantial savings. He expressed his continuing concern regarding work that remains to be done on the UCRP and its serious funding issues. He anticipated that the cuts to the campuses, about 40 percent of the total, would have a lasting impact.

President Yudof addressed one of the delicate issues raised by this item. If a salary funded by a research grant is cut, those funds are returned to the grant. Parenthetically, he noted the University's need for an integrated payroll system and current efforts in this area. He explained that, if the University tries to tax research grants, the revenue may be used for equipment, for hiring a postdoctoral fellow, or for extending summer research, but it cannot be used to defray deficits in State funding. In developing this item, there was an effort to respect the need for flexibility in the medical enterprises. Hospital executives have agreed to take proportionate cuts. President Yudof emphasized that these are highly-regulated enterprises in very competitive markets. In his judgment, it was necessary to allow more flexible solutions for the clinical enterprise and the medical centers. The chancellors must determine how to allocate their share of the 40 percent of the total reduction. It should be left to the chancellors and medical enterprise executives to determine what reductions might be taken in the medical enterprises; this matter should not be decided by the Regents or the President. Salaries will be reduced in the auxiliary enterprises, which are already taxed from five to ten percent. President Yudof suggested that the auxiliaries might be a source of offsets to the reductions. Auxiliaries that are profitable would provide an alternative to staff layoffs or to hiring fewer instructors. President Yudof opined that the University has taken sufficient central administrative action, such as fee increases and the furlough policy, if approved. The chancellors now face the formidable task of balancing the remaining budget.

On behalf of all the Regents, Committee on Finance Chair Lozano praised the work done in the development of this item.

Staff Advisor Abeyta acknowledged the efforts on the part of the chancellors to provide opportunities to faculty and staff for feedback on this item as soon as the options were made public. This was accomplished through website updates, video letters, town hall meetings, and other means. The high level of staff interest is reflected in the fact that the town hall venue at UCLA had to be moved several times to accommodate over 2,500 employees. Employees shared their concerns about the proposed options and about the future of the institution. Mr. Abeyta acknowledged the importance of the staff consultation process developed by the Office of the President and praised President Yudof for the time he dedicated to this matter and for his effective communication with the UC community. It was significant that the proposal was modified following input from faculty and staff and that the three options originally proposed were replaced by a graduated plan. The provision that protects staff pensions at pre-furlough levels is important to employees. The most significant challenge to the University is now to maintain the institution's quality. While this is a painful decision, Mr. Abeyta stated his view that this proposal captures the principal overarching concerns expressed during the consultation process. He looked forward to making use of this consultation process to address future challenges. He thanked President Yudof, Ms. Lapp, and other Office of the President staff for listening to employees and modifying the plan, based on their feedback.

Committee on Finance Chair Lozano concurred regarding the importance of the consultation process and stressed the importance of receiving input from the Staff Advisors and their constituents.

Faculty Representative Croughan echoed previous statements regarding the broad consultation that took place on this item. She observed that the concerns raised were strikingly similar among all UC employee groups, and even among students. The original intent of the Standing Order was to allow consultation and time. Unfortunately, the State budget deficit was growing daily, and cuts to UC were growing on a weekly basis. Consultation was extensive, but shortened in length. Ms. Croughan stressed that the amendment had been finalized prior to final completion of the consultation process. Systemwide Academic Senate input was extensive. The formal Academic Senate response received by President Yudof was more than 100 pages long. Ms. Croughan and the President received more than 1,200 email messages. Academic Senate division chairs collaborated with chancellors and executive vice chancellors on town hall meetings, which were well received. As people realized the seriousness of the crisis, the number of attendees at these meetings increased. She praised the President's communication efforts and the inclusion of staff comments through the Council of UC Staff Assemblies (CUCSA) and the Staff Advisors.

The primary concerns of the Academic Senate were to protect retirement benefits and to allow exemptions. The second concern was expressed by faculty hired on year-to-year contracts and fully supported by research contracts and grants. Imposing salary reductions on them would be unfair because this would not return State funds to the University and because there is no other mechanism to help faculty in this situation. Faculty also expressed the wish that some other groups be exempt: staff who are entirely research-supported, students, postdoctoral fellows, and staff trainees in the medical centers. Another serious concern was expressed about the START program. If START participants were forced to reduce their time still further, their benefits might be compromised. Faculty requested that there be more progressivity in the proposal, with higher levels for higher-paid employees, that there be flexibility, and that holidays not be used as furlough days. An important point expressed by both faculty and staff was the need to make furlough days visible; the Academic Council plans to vote on action in this area. Like the closure of Department of Motor Vehicles offices, it is necessary that the effect of furlough days be visible to the State and public.

The current plan reflects Academic Senate concerns. It is not perfect. Ms. Croughan stated that she was legally obliged to say that the Academic Senate is opposed to the plan due to its untoward effects. On the other hand, the Academic Senate is supportive of the fact that consultation took place and that its concerns were addressed. She referred to a letter from the University Committee on Faculty Welfare, endorsed by the Academic Council, about re-envisioning the University. The University needs to move forward on this matter, and to do so quickly. Ms. Croughan expressed her view that the University has bought itself a year with the proposed furlough program, but that there will be significant damage if the program is extended beyond one year.

Regent Bernal echoed the concerns expressed by the previous speakers and noted that the livelihood of thousands of individuals in the UC system was threatened. These are people who have served the University and California. He reported that there was anger, fear, and worry on campuses. He faulted the State for abandoning the University and losing sight of the vision of the Master Plan for Higher Education. He praised President Yudof and Office of the President staff for leadership, openness, and transparency, and noted especially the work done by the chancellors to address difficult situations on the campuses with fairness. Mr. Bernal expressed his reluctant support for the item, but emphasized that there must be a clear message from the Regents that they value UC faculty and staff. He noted that he was disappointed that there was no mention of students in the item’s description of the consultation process. While students were included in these discussions through campus committees and town hall meetings, he cited the impact of this action on students and student services and stated that consultation with students should distinctly and explicitly be included in the plan.

Regent Island asked how much money would be generated by furloughs and salary reductions at the medical enterprises. Ms. Lapp responded that they would generate an estimated $170 million.

Regent Island asked about how campuses were allocated their share of the shortfall and what approach was used for campuses without medical centers. Campuses without medical centers might be at a disadvantage. Ms. Lapp responded that when there are reductions in State funding, the campuses are allocated their proportionate share of the reduction, based on their share of the University’s General Fund budget. The campuses have received targets based on the $813 million reduction. They will take into account their share of student fees. They will implement this program, if it is approved by the Regents, and savings generated by a campus will be applied to that campus’ reduction. The remainder of the reduction and the unfunded costs need to be absorbed by campus actions. Campuses with medical centers may be able to negotiate some of these savings from the medical centers; this will involve discussions unique to each campus. The same process will take place for auxiliary enterprises.

Regent Island questioned the rationale for not capturing savings from the medical centers for the General Fund, especially since some campuses do not have medical enterprises and will not have the benefit of such savings. He suggested that, if the medical center reductions were placed in the General Fund, the impact on all the campuses would be more equitable.

President Yudof responded that the campus targets are based on the budget. The savings achieved through debt restructuring will not be evenly distributed; distribution will depend on which campuses have debt that can be restructured. The magnitude of auxiliary enterprises varies among campuses. The revenues from auxiliary enterprises, like fee revenues, are not being redistributed. The allocations made to campuses are based on the revenues the campuses are generating. The medical enterprises are entrepreneurial activities, and the University wishes to reward entrepreneurial activity on campus. These are delicate enterprises that need significant reserves. He expressed his opposition to moving medical revenues to other campuses. It would be an internal matter for these campuses to decide what portion of medical revenues should stay in the medical enterprises, and what portion could be used by the campuses to pay down their debt. The medical centers expressed their view that these funds should not be moved out.

Regent Lansing stated that the medical centers were unanimous in the view that they needed discretion to handle their reductions in their own ways. She cautioned that doing otherwise would be ruinous and destroy the infrastructure of UC hospitals. She emphasized that the medical centers will be taking reductions. This is a very bad situation, but input was received from all parties and the plan was adjusted. She found that there was a proper balance between the Regents' broad view of the furlough plan and the discretion left to campuses and medical centers to determine their fate. The Regents cannot delve into the intricacies of what is best for each campus and the medical centers.

Regent De La Peña concurred with Regent Lansing's comments. He emphasized that the medical centers receive little funding from General Funds; this source accounts for about four to eight percent of their funding. He noted that, beginning in April, the medical centers' obligation to the UC Retirement System will be a substantial amount. The medical centers provide a positive cash flow for UC, and the University should be very cautious about use of those monies. Regent De La Peña expressed support for decision-making by chancellors and medical center leadership. He suggested that the medical centers might identify underperforming programs for elimination.

Regent Kozberg observed that, historically, the condition of the UC medical enterprises has sometimes quickly shifted from good to bad. The medical centers understand that they are part of a larger enterprise. She praised the present plan for its policy, framework, and consistent message. It was a fair process that would attempt to save as many UC resources as possible.

Regent Zettel asked about the flexibility of the furlough plan and about how furlough days would be established at the campus level. Ms. Lapp responded that chancellors will develop schedules and determine fixed furlough days, when the campuses will be closed. There will also be floating furlough days, determined by employees and supervisors.

Committee on Finance Chair Lozano observed that the furlough plan had the proper flexibility, allowing chancellors and campuses to work around specific schedules that only they are aware of. She then called on the chancellors to speak.

Chancellor Bishop began by noting that 92 percent of UC San Francisco's operating budget and 82 percent of its payroll come from non-State funds. While this might appear to provide a cushion against cuts in State funding, this is not the case. It can be difficult, impossible, or even illegal to redirect non-State funds from their original purpose. UCSF is highly sensitive to cuts in State funding. The campus is one of the largest biomedical research enterprises in the U.S. and second in the nation in National Institutes of Health (NIH) funding. The campus administration is disproportionately lean and disproportionately reliant on State funding.

UCSF has been allocated a 25 percent reduction in State funding for fiscal year 2009-10, and the campus is employing every available device to absorb these cuts. First of all, through workforce reductions: by the end of fiscal year 2010, UCSF will have eliminated at least 60 staff members through layoffs, elimination of empty positions, and deferred hiring. Over the same period, the number of faculty members will be reduced by at least 355, a 14 percent reduction for a faculty of medicine which is regularly ranked among the top five in the nation.

Second, the campus is making widespread adjustments in academic programs and facilities. The School of Medicine has suspended 46 major faculty recruitments in one fiscal year, the bulk of major faculty recruitments for the School. It has delayed or reduced funding for ten academic programs, including an approved and long-anticipated Ph.D. program in epidemiology, a molecular imaging center, an institute for molecular medicine, a biostatistics consulting unit, the Center for Health and Community, the Institute for Human Genetics, and the Institute for Health and Aging. The School of Nursing has combined two departments into one, eliminated several specialty training programs, including two that award advanced degrees, and closed a family clinic that provided care to 1,720 patients, 40 percent of whom are Hispanic. The School of Dentistry has eliminated a two-year dental hygiene program and weekly half-day teaching clinics. The UCSF library has shortened its operating hours and deferred construction of an urgently needed learning center. Chancellor Bishop explained that this learning center will be necessary for maintaining accreditation of the campus' professional schools.

There is great concern about deleterious adjustments to the campus' graduate programs. As financial aid for graduate students has lagged over the last four years, all but two of the campus' 11 major graduate programs have reduced their enrollments with decreases by now ranging from 11 percent to 52 percent. Chancellor Bishop described this as an ominous trend. Graduate education has long been a crown jewel at UCSF. It is a hallmark of great research universities, an important means of attracting and recruiting faculty, and a workforce provider for California's knowledge economy. It is shrinking at every UC campus.

Third, UCSF has taken numerous administrative measures. It has eliminated a senior vice chancellorship and one of the administrative units previously supporting that position. It has pruned its units for community affairs, public and governmental affairs, and communications. Strategic sourcing and other improvements have been applied in financial management. One set of initiatives is expected to save at least $46 million by fiscal year 2011-12. The use of electronic transactions has been expanded, reducing material costs and transferring labor to the client. The campus has rebid contracts, restricted travel, and reduced custodial services. These and other measures will save money, but they will also diminish quality of services across the campus and at the UCSF Medical Center and compromise the campus' efforts to improve compliance with a broad array of regulatory requirements.

Chancellor Bishop emphasized that academic medical centers are not significant sources of income. Every year there is a serious concern about whether the campus reserves will meet minimal standards for cash on hand for operating expenses. While UC medical centers reimburse the medical schools for services rendered, they should not be considered a source of general campus funds.

Chancellor Bishop reported that UCSF has not laid off nursing staff. The modest layoffs at the medical center have involved non-clinical staff. He communicated the assurances of Chief Executive Officer Laret that the measures taken to date have not degraded patient safety or the quality of patient care. However, there will be delays in efforts to improve these vital parameters.

Chancellor Bishop then outlined some potential consequences of the budget reductions for the campus. Given the metrics used by various ranking agencies, the campus can clearly predict an adverse impact on those metrics from the stringencies now being implemented. The campus could expect impaired recruitment of superior faculty, students, and staff. There would be a high risk of losing premier faculty. In particular, the burgeoning stars of UCSF's younger faculty are vulnerable, because they lack a financial cushion in the face of reduced salaries and a local cost of living which is among the highest in the nation. Chancellor Bishop emphasized the grave concern felt by the faculty leadership about this risk. Further, there is now a real threat to the accreditation of UCSF's professional schools. This would have been unimaginable only a year or two ago. Finally, budget cuts present an impediment to increasing diversity in the campus community. One example of this is the campus' inability to subsidize students in a competitive manner, which has already had a harmful effect on the intake of underrepresented minorities in the School of Medicine. This intake had been built to more than 30 percent of the entering class over the past five years; this year it has slipped to approximately 22 percent. Reliable data indicate that UCSF is losing these students to peer institutions which can provide better student aid. UCSF has embraced the responsibility to educate a student body that looks like California; it is agonizing to see the ability to fulfill this responsibility slip away.

Chancellor Bishop concluded that what is now at risk is UCSF's ability to preserve accessibility and quality, to sustain its world-class instruction, research, and health care, to meet its obligations to community service, and to remain a humane and gratifying place to work.

Chancellor Vanderhoef began his presentation by noting that UC Davis is facing a changing financial situation. The campus anticipated a drop in support of $38 million this year, and another $38 million or $39 million in 2009-10. In fact, in the second year of this two-year period, the campus will experience a cut of about $113 million. A campus advisory group including faculty, students, and staff is keeping abreast of these changes.

Chancellor Vanderhoef stressed that, while the campus is doing all it can to protect students from the effects of budget cuts, certain effects are inevitable. The campus can no longer afford the number of teaching assistants it has had in the past. It now has approximately 60 positions fewer than before, with an obvious effect on students. All the campus hiring authorities have less funding. There will be about 400 fewer part-time student jobs available on campus than there were before.

UC Davis has also undertaken administrative downsizing. Thirty-nine senior management positions have been eliminated or identified for elimination in the 2009-10 year. The campus is eliminating a vice chancellor position and its office, including the associate vice chancellor and five senior management positions. The School of Veterinary Medicine is undergoing restructuring; it will have four departments rather than six.

Chancellor Vanderhoef then called attention to a substantial increase in charity care provided by the UC Davis Medical Center. Since 2006-07, there has been a 70 percent increase in charity care, from $95 million to $163 million. There is no reimbursement for this service. Along with this, bad debt has increased about 50 percent, from $38 million to $55 million. Additional increases in bad debt are expected in 2009-10. UC Davis has a contract with the County of Sacramento for indigent care. The County is obliged to provide medical care to the indigent. In 2008-09, the University billed the County $90 million for indigent care. The County has paid $34 million toward this amount, but has not been able to pay more.

Chancellor Vanderhoef emphasized that the future is very uncertain for the Medical Center, which is affected by changes to the Medicare and Medi-Cal programs and by an additional $30 million to $40 million obligation to the UC Retirement System. He echoed Chancellor Bishop's statement that the medical centers should not be regarded as a source of revenue and stated that the medical centers should be watched more closely than any other part of the UC enterprise.

The School of Veterinary Medicine has reduced the number of residents from 100 to 70 and has been forced to eliminate its Veterinary Graduate Academic Program (VGAP), which cost approximately one half million dollars annually.

UC Davis will eliminate 700 staff positions on campus. For the first year of the two-year period mentioned earlier, there were 157 layoffs and 175 vacant positions that will not be filled. At least the same number is expected in the second year, so that 700 is in fact a conservative estimate. The situation is made more difficult by the fact that the campus must move quickly; it receives very short notice about necessary cuts. It is difficult to make the best decisions in this environment.

There are 200 faculty positions which are not filled and which would be filled under normal circumstances. Projects in the campus' capital program have been halted, such as a music building and a veterinary medicine building project. There were plans for an engineering building, but this cannot now be funded and will not be built in the foreseeable future.

Chancellor Vanderhoef concluded by observing that the problems at UC Davis were not very different from those faced at other campuses.

Chairman Gould requested that each chancellor provide the Regents with a summary of the key elements in their presentation regarding the effects of budget cuts on the campuses.

Chancellor Drake recalled his presentation to the Regents in February 2009 on UC Irvine's strategic plan. The campus remains committed to its goals and ideals, but developments over the last few months make this more difficult.

UC Irvine has eliminated one vice chancellor's office and its attendant administrative structure. It has entirely eliminated its small capital projects program, which funds \$5 million to \$7 million annually in classroom and physical plant renovations. It has cancelled the Chancellor's Distinguished Fellows Series, a popular lecture series which has brought heads of state, Nobel laureates, legal scholars, and humanitarian leaders to the campus. The former president of Mexico, Vicente Fox, spoke on campus in April 2009. During his visit he was put in contact with the head of an organization which provides free wheelchairs to disabled people in developing countries. As an outcome of this meeting at the Irvine campus, a shipment of wheelchairs will arrive in Mexico within weeks.

In 2007, the campus admitted its first 40 nursing students. A month ago, 36 of those students graduated; 22 of them are now employed at the UC Irvine hospital. Due to budget cuts, the program enrollment has been limited to 50 students per year, about a quarter of the size originally intended.

The Irvine campus ordinarily hires about 75 faculty members annually, while losing about 25 to attrition, retirements or recruitment. This net gain of 50 faculty corresponds to the normal growth of 1,000 students per year. Last year, rather than growth, the campus experienced a loss of 18 faculty members. Given the number of faculty not hired to correspond to the growth in students of 1,250, the campus has a gap of 80 faculty this year relative to last year. There are almost 300 faculty positions vacant at this time. Chancellor Drake quoted a recent article in *Inside Higher Education*, in which UC Irvine Dean of Humanities Ruiz discussed the loss of faculty to private institutions and the campus' inability to provide counteroffers as it has in the past. In 2007, Dean Ruiz hired 17 new professors. Last year she hired four, even though nine searches had been planned. No new positions have been authorized for next year.

UC Irvine has 309 fewer staff positions than it had last year. Layoffs through April 30, 2009 account for 102 of these. Chancellor Drake recalled a chart presented at a past meeting which showed that, while the student population at UC Irvine grew by about 180 percent, staff grew by only about 2 percent over the same period.

The campus has cancelled freshman and transfer seminar programs. It has stopped admitting students to its Ed.D. program. A program which funded new computers for every faculty member every four years has been suspended. Faculty have also been encouraged to give up their land lines and to use cell phones for contact. Funding for travel to academic meetings has been reduced. The library budget has been reduced by 20 percent, affecting librarians, hours, and collection development, including the electronic collection. The campus has stopped heating water in its public bathrooms.

Chancellor Drake listed a number of programs which have been suspended: a multidisciplinary master's concentration program in the arts, computing, and engineering, the Distinguished Professors program, the Career Partners program, the Faculty Career Development Awards program, and others. He stated that, in his 37 years with the University, he has never seen a time as troublesome as this. He cautioned that the cuts the University is making threaten its margin of excellence.

Chancellor Block reported that UCLA is facing a $117 million general fund reduction this year, along with an additional $14 million reduction which the campus was unable to absorb late last year. In addition, there are about $26 million in unfunded costs, including utilities, benefit costs, and retirement contributions. While the campus anticipates approximately $37 million in savings from salary reductions and the increase in the Educational Fee, the campus will still face a long-term $95 million to $100 million gap. In the current year, UCLA will make temporary and permanent reductions; it hopes to recover some programs through restructuring.

Faculty recruitment at UCLA has been reduced this year to no more than 25 searches. This will result in a total of 12 to 17 new faculty members this year, an astoundingly small number for an institution as large as UCLA. Since February 2009, the campus has reduced its workforce by 428 positions, including 36 ladder-rank faculty, 95 lecturers, and 109 teaching assistants. These reductions will continue during the current year. Campus departments have cancelled 162 job requisitions. General fund support is being reduced to research centers by 50 percent and to clinical teaching services by 40 percent.

Contributions to campus resources from housing and parking will increase by 40 percent. The Chancellor's commitments to fellowship support, community programs, and capital projects are being reduced by 20 percent. Student services are being cut by 10 percent. UCLA is consolidating its information technology services, reducing central administrative costs, and implementing enhanced energy conservation strategies. The campus will use about $18 million in campus reserves to allow additional administrative and academic restructuring.

Chancellor Block then discussed the effect of these reductions on the UCLA community. UCLA has already experienced a 20 percent increase in its average class size over the last three years due to increased enrollment not covered by State support. Class size will exceed an average of 60 students in fall 2009. UCLA will offer 165 fewer courses in fall 2009 than it offered in fall 2008, about a ten percent reduction. A smaller number of teaching assistant positions will reduce the number of laboratory sections and small break-out groups. Fewer teaching assistants and a higher faculty workload will limit opportunities for faculty-student interaction. With a reduction in faculty size, the campus will need to reduce undergraduate enrollment levels to guarantee that students can graduate on schedule. Smaller incoming classes could have a negative impact on student diversity. The campus has made gains in this area in the last few years and does not want to lose them. Loss of faculty numbers will lead to an increase in faculty workload. There will be less support by teaching assistants and instructors. This may have an adverse effect on the scholarly output of UCLA faculty. This output is the hallmark of a great research institution. Junior faculty will be particularly hard hit by salary reductions and programmatic reductions. Chancellor Block pointed out that this group of faculty struggles to make ends meet in Los Angeles; it is also a highly competitive and highly portable group. Reduction in faculty recruitment will result in slowed renewal of the faculty, delays in diversifying the faculty, and fewer opportunities to build critical strength in emerging areas of scholarship. Faculty retention will become an even greater concern. There will be fewer advancement opportunities for UCLA staff as positions close. The campus will lose outstanding and talented staff due to program closures. Lower-paid staff will struggle in Los Angeles with any decrease in salary.

Chancellor Block concluded that the impact of budget reductions on UCLA, as on other campuses, will be profound and painful.

Chancellor Fox observed that UC San Diego is facing many of the same problems discussed by the other chancellors. The campus has laid off over 200 employees. It has eliminated or left unfilled over 800 positions. It has halted all faculty hiring. This 28,000-student institution will have no new faculty. The freeze on ladder-rank hiring will worsen the campus' student-faculty ratio and class sizes. Chancellor Fox compared the situation at UC with far lower student-faculty ratios at Harvard and the California Institute of Technology.

Chancellor Fox explained that the campus is not recruiting any new faculty in 2009-10 in order to apply those funds to retention efforts. She noted that UC San Diego is making cuts in every possible area, but she focused on the effect of "brain drain." Since July 1, five senior faculty have departed. The campus' success rate in faculty retention has declined from 95 percent to 70 percent since the beginning of this year. One of the losses was a premier researcher in applied ocean science at the Scripps Institution of Oceanography. He was one of the founders of the intergovernmental panel on climate change which was awarded the Nobel Prize with former Vice President Al Gore. He has been offered a position as science director of a new climate institute in Germany. The campus has been negotiating with this researcher in the hope that he might split his time, with at least some time in San Diego. A nearly ten percent salary reduction comes at a sensitive point in these negotiations.

The Chief Executive Officer of the UCSD Medical Center, who effectively turned around the financial situation of the Medical Center, is also leaving. He has accepted a position at the Barnes-Jewish Hospital system in Missouri. The campus' recent effort to recruit a Chief Financial Officer for the Medical Center was not successful, because its salary scales did not allow an offer that even matched the current salary of the candidate at the University of Washington. A professor in electrical and computer engineering has accepted an offer at the University of Texas at Austin. He will receive a $2.5 million endowed chair. All income will support his salary and research group. Another professor, a professor of medicine, is leaving for the University of Michigan. He is an African American who has been a role model and his departure will be a major loss to UC San Diego's cancer research program. Finally, a professor of biology is leaving for Columbia University, where he will be provided with research support from a $20 million endowment.

Chancellor Fox reiterated that these five losses have occurred since July 1. To the extent that the most important determinant of quality at the University is the quality of its people, these losses should cause alarm. The University also should feel alarm at a high student-faculty ratio which prevents students from graduating on time. The University will face severe competition as it restructures. As UC loses that competition, the competitiveness of California is also in jeopardy. Chancellor Fox closed her remarks by asking that, while there may be little that the Regents can do to reduce the magnitude of budget cuts, the Regents ensure that chancellors continue to have flexibility in implementing those cuts so that campuses can respond to opportunities for faculty retention when they arise.

Committee Chair Lozano noted the common problems shared by the campuses and their depth. She described the effects on the campuses as devastating and noted that it was important for the Regents and the public to hear from the chancellors directly.

Chancellor Birgeneau reported that the Berkeley campus strongly supports the furlough program, because it will prevent layoffs of 450 staff members in the short term as well as disruptions to the academic program which would follow such layoffs. The campus will make changes, but it must be able to do so in a deliberative way. Among a number of competitive schools (Yale, Harvard, Princeton, Stanford, and the University of Michigan) only UC has faculty participating in salary cuts. On one hand this is admirable. However, for senior faculty, the academic salary gap before the furlough program was about

$25,000 annually. It will now be $40,000. Chancellor Birgeneau cautioned that this program would not be sustainable beyond one year; after that time the University could lose many of its best faculty members. In an ordinary year, the Berkeley campus conducts about 100 faculty searches, of which 60 are successful. For this and next year, the number of searches has been reduced to ten. Faculty size will diminish significantly. There will be course reductions of at least eight percent. Chancellor Birgeneau anticipated that this would result in increased time to degree of at least half a year. The number of lecturers is being reduced, and the number of graduate student instructor appointments by as much as 20 percent in some units. Access to the libraries is being reduced; campus libraries will no longer be open on Saturdays and may no longer offer 24-hour use during the final exam period, which has been customary at Berkeley. Work-study opportunities for students are also being reduced. The Berkeley campus is addressing these issues using a multi-track methodology.

Chancellor White reported that, like the other campuses, UC Riverside will experience a reduction in services, shrinkage and elimination of educational and research training programs, and increased workload. He noted that the campus' vulnerable spot is its high reliance on State general funds, which provide 44 percent of its total support. He compared this to the systemwide average of 25 percent for UC campuses without a medical school. Chancellor White recalled that UC Riverside is the most diverse UC campus. A large number of students are Pell Grant recipients, and more than half are first-generation college students. When support services are cut, these students are at particular risk. While current graduation rates are fairly consistent across ethnic and racial groups, he expressed concern about gaps in the future.

The campus' priority is the delivery of the curriculum and its commitment to students will not be altered. Nevertheless, there will be a reduction in the number of laboratory and discussion sections and lecture courses. The campus' student success initiatives will experience a negative impact. The student-advisor ratio is currently 300 to 1; it may exceed 500 to 1 by next year. This will put a strain on personnel and affect student retention and graduation rates. The Medical and Health Careers Program, which serves 2,000 students annually, is being cut by 50 percent. UCR has eliminated 12 honors courses and cancelled its Freshman Discovery Seminar Program. Class sizes have more than doubled, diminishing faculty-student interaction. The campus is eliminating or reducing training for graduate students from socioeconomically disadvantaged groups, particularly in the areas of research ethics, grant writing, dissertation writing, and preparation for future faculty positions. This will make UCR's graduate students less competitive. Chancellor White expressed concern that this would have a disproportionate impact on students of color, especially in the sciences and engineering.

UC Riverside is reducing enrollment in its Graduate School of Education and postponing the launch of its civil engineering program. The five-year combined B.S. and M.S. engineering program is at risk. The campus has not been successful in securing funding for the UCR School of Medicine and a $10 million gift from Kaiser Permanente has been put on hold. The plan for a school of public policy has been put on indefinite hold as well. UCR has reduced one vice chancellorship, saving a half million dollars annually.

The campus is consolidating information technology functions. While the Office of Research is meeting increasing State and federal regulatory and compliance requirements, it is being reduced by 20 percent. The offices of University Advancement and Governmental Relations are also undergoing significant reductions; this works against the campus' ability to generate resources outside of State general funds. UCR must reduce its general fund expenditures by about $45 million, or about 20 percent of these expenditures. Only 17 new faculty members will be hired this year; Chancellor White anticipated only a handful in the following year. One hundred staff members have been eliminated and dozens of additional layoffs are expected. He predicted that, over the next two to three years, faculty and staff size will be permanently reduced by 15 percent each.

Chancellor White concluded by expressing his great concern about the vulnerability of the campus. A diminished capacity at UC Riverside would impair the richly diverse pipeline that feeds the research enterprise in California and the nation. The impact of the current economic crisis was unlike anything he had seen in over 30 years in higher education. He promised that the Riverside campus would work energetically to generate new resources for the future.

Chancellor Kang observed that, from its beginning, the Merced campus has suffered from a budget based almost only on incremental enrollment growth and one which has been grossly inadequate. The $14 million budget supplement established to enable UC Merced to reach a critical mass of students began to phase out last year and will be completely eliminated by 2010-11, far short of achieving a critical mass in student enrollment, faculty, and staff. The campus currently has only three academic buildings for instruction and faculty research. Chancellor Kang described the campus as a "bare bones" operation. Academic planning for the new campus has been very challenging due to budget uncertainty. UC Merced students come from Southern, Central, and Northern California; roughly one-third from each region. The campus is ethnically diverse, with a student population that is 33 percent Asian American, 30 percent Hispanic, 24 percent white, and almost 7 percent African American. More than 50 percent are first-generation college students. This requires academic and staff support beyond the UC average.

Chancellor Kang emphasized the risk to UC Merced of budget cuts. A $14 million reduction is enormous for a new campus with a total budget of less than $100 million. Although the Office of the President and the other campuses have been very helpful in mitigating these reductions, UC Merced has begun to lose promising junior faculty members. In the current month, the campus lost two assistant professors who accepted offers elsewhere. It has become much more difficult to recruit new faculty members due to lack of research space and insufficient start-up support. In order to cope with budget reductions, the campus has taken a number of measures. Of 36 needed faculty positions, only 10 have been filled. This represents a lost opportunity for more federal funding and a one-third reduction in the planned growth of the graduate student body. More than 60 courses cannot be offered. A staff hiring freeze has been implemented. This is problematic on a campus where functions are already thinly staffed. The budget for supplies and expenses has been reduced by 25 percent, saving $350,000. No new funds were added for operations and maintenance of plant (OMP) for two years. The campus has formed ad hoc committees to determine further cost savings and ways of maintaining campus morale.

An immediate problem for the campus is a $5 million reduction in State funding. Without restoring this $5 million, the campus foresees a significant decrease in access and retention for the neediest students, longer time to graduation for these students, and the need to freeze all faculty hiring. Support by staff and teaching assistants will be reduced and further hurt graduate programs. Preparation for accreditation by the Western Association of Schools and Colleges (WASC) presents another challenge. Building depth in new majors is required for accreditation. The campus will also be affected by the upcoming furloughs. Offices which are staffed by only one person will have to cease operations for many days. Auxiliary operations such as dining services, security, and housing will be severely hampered.

Chancellor Yang noted that the Santa Barbara campus has undergone budget reductions since 2003. The campus' total accumulated reduction in State funding in these seven years, including the coming year, is $102 million, or approximately 30 percent of the current-year State funding for the campus. Last year's reduction was $16 million; in the coming year the campus will face a reduction of $45 million, or about three times as much.

In response to this situation, the campus has carried out workforce reductions. During the past year, UC Santa Barbara has reduced its staff by 235 FTE, including layoffs, unfilled positions, and reductions in time. The workforce reductions have affected all levels of the campus, from service workers to vice chancellors. The campus has suspended searches for two vice chancellors. Their organizations have been restructured and are being overseen by associate vice chancellors. A number of associate and assistant vice chancellor positions have been reduced. Because the budget reduction next year will be three times as much as this year, Chancellor Yang anticipated that there will be a workforce reduction far greater than 235 positions. He expressed gratitude to his remaining colleagues for working much harder in these circumstances.

Faculty searches last year almost came to a halt. This year the campus will not have a way to replace faculty who retire or are separated. Chancellor Yang emphasized the central importance of faculty to the University, and of recruitment and retention. He expressed deep concern about the loss of superior faculty. Two of the campus' most respected National Academy members were recruited by an Ivy League university and left a few weeks previously. A third National Academy member will leave the campus next month.

Over the last six years, the budget for student and administrative services has been reduced by 30 percent. The instructional program has been reduced by 15 percent. While UC Santa Barbara is seeking creative ways to maintain its academic quality, it is concerned about increasing class size, reduced course availability, and increased faculty workload. Last year, the campus cut its University Extension program by half and suspended the dean position for this program. The campus eliminated three support programs and consolidated a number of administrative offices; it anticipates two to three times more eliminations and consolidations in the coming year.

UC Santa Barbara has sold an off-campus building and moved units back to the campus for savings of several million dollars. It will implement about 100 projects as part of UC's Energy Efficiency Partnership with State higher education and investor-owned utilities for annual savings of $1.3 million and a 16 percent reduction in greenhouse gas emissions.

Chancellor Yang stressed that effective communication on campus is more important now than ever before. The campus is engaged in listening and consultation in order to think through every step carefully and to develop workable and humane strategies. He thanked Chairman Gould and President Yudof for the creation of the University of California Commission on the Future. He concluded with comments received the previous week at a campus town hall meeting on the budget. Many faculty and staff are concerned about salary reductions. Faculty, students, and staff are deeply concerned about the survival of the University of California as a world-renowned institution. He conveyed their request that the Regents do everything in their power to defend the University.

Chancellor Blumenthal observed that an important question now is whether the University will confront the present daunting challenges with incremental action or with clarity, creativity, and conviction. While UC Santa Cruz understands that everyone must share the pain and contribute to the solution, the campus will not permit its budget cuts to compromise its mission to be a leading public research university.

UC Santa Cruz has been on a sustained upward trajectory, as measured by increasingly diverse and exceptional students and superior faculty who are leaders in their fields. The impact of research at UCSC is measured by citations; when adjusted for size, this impact is next only to Harvard, the California Institute of Technology, and the Massachusetts Institute of Technology. The campus has achieved new highpoints in federal and private support. It is leading an innovative public-private partnership as the UC campus of Silicon Valley.

The impact of the campus is extraordinary, but so is the current fiscal crisis. Even after accounting for increased student fees, the campus' operating budget has declined by $50 million since mid-2008, more than $3,000 per student. The campus cannot sustain reductions like this without making major changes. The next freshman class has been reduced by more than 750 students. If this trend continues, thousands of qualified students will be denied an opportunity to study at UC Santa Cruz. Fifty-five faculty positions have been eliminated; this is eight percent of the budgeted faculty. The number of lecturers and teaching assistants has been dramatically reduced as well. This year the campus must defer nearly all faculty recruitments. There will be fewer courses available and longer time to graduation for some students. There will be less academic support. Like UC Berkeley, the Santa Cruz campus has already cut back library hours and book acquisitions and suspended subscriptions to scholarly journals. There will be fewer academic advisors.

Chancellor Blumenthal expressed his reluctant support for salary reductions, but emphasized that these actions make the campus, the University, and California vulnerable to a rapid “brain drain.” Fewer of California’s best and brightest students will enjoy the rich educational opportunities and experiences available to previous generations of UC students. He described this as a tragedy. The campus’ research programs are threatened as well. UCSC has eliminated several strong and promising research units, including the STEPS Institute for Innovation in Environmental Research (Science, Technology, Engineering, Policy, and Society) and the Institute for Science and Global Policy. It is considering serious reduction of research budgets in other units; UCO Lick Observatory is one example. Given these cuts, Chancellor Blumenthal asked the Regents to consider how many innovations, vaccines, human health breakthroughs, or responses to global climate change will be delayed or remain undiscovered.

In response to the charge to reduce administrative operations, UC Santa Cruz has already streamlined academic support operations and consolidated business functions. It has invested in information technology to increase efficiency. It has attempted to protect the academic enterprise. Compared with teaching or research, administration has taken two-thirds of the cuts over two years. The campus has eliminated 160 administrative positions at all levels, including several high-level management positions. But as cuts continue, the campus’ options have narrowed. Cuts are now becoming more devastating, fundamentally threatening student access and academic quality.

Chancellor Blumenthal cautioned that this is not a one- or two-year problem. The impacts of the cuts made today will have repercussions for years to come. California is fundamentally “disinvesting” in higher education. The University’s greatest challenge is to prevent these circumstances from derailing its progress. It must and will continue to be strategic, creative, and focused. There is too much at stake to do anything less.

Regent Garamendi thanked the chancellors for their presentations. He asked if they would support Assembly Bill 656 (Torrico) and if they were willing to fight for revenue for the University.

Committee on Finance Chair Lozano stated that it would be unfair and inappropriate to ask the chancellors to comment on or to express support for or opposition to legislation when they did not have the language of and amendments to the legislation before them. She suggested that the University could draft a general statement expressing collective support for identifying additional revenue streams. She asked Regent Garamendi to work with the other Regents in drafting a general collective statement to the Legislature, reaffirming the Regents’ commitment to identifying alternative revenue streams, perhaps including AB 656.

Regent Garamendi expressed disagreement with Committee Chair Lozano’s statement. He emphasized the urgent need for action. He noted that AB 656 was moving through the

Legislature and described it as an opportunity for the University to take a stand and fight. He stated that the bill, if passed, would provide as much as $1 billion for the three segments of California higher education during the current budget year. He repeated his question to the chancellors and asked them to ponder this matter.

Committee Chair Lozano thanked the chancellors for their presentations.

Chairman Gould emphasized the compelling nature of the chancellors' presentations and suggested that Office of the President staff draft a letter to the State leadership in Sacramento regarding the significant changes in the UC system, making clear what those changes mean to the institution, with the request that the State reaffirm its commitment to higher education and seek to identify additional resources to support higher education. Chairman Gould stated that he was not prepared to support a piece of legislation without the Regents having reviewed it thoroughly.

Regent Blum recalled the Higher Education Compact between the Governor and UC and the California State University system, for the years 2005-06 to 2010-11. The Governor has not fulfilled his part of this agreement, according to which the State would provide funding for increasing student enrollment. Regent Blum suggested that University representatives should make a public statement that UC has lived up to its part of this agreement, while the Governor has not.

Regent Blum expressed his view that, while it is appropriate to expect the chancellors to engage in fundraising, it is inappropriate to ask them to endorse legislation; such activity is a function of the Board. The chancellors' presentations were sobering. The University must find sources of income other than the State, and this will not come quickly. Regent Blum stated that the furlough/salary reduction program would work for one year. However, the University must do whatever it can to keep its best employees. Three years previously, chancellors' compensation was 35 percent to 40 percent below market. Some valuable faculty members might wait for a year but not longer, and Regent Blum referred to the loss of faculty mentioned by chancellors in their presentations. The University now has one year to work out solutions for retention.

Regent Marcus emphasized that this is a crisis situation. He urged the Regents to support Regent Garamendi's proposal and not to allow the University to decline on their watch. He suggested that legislators be invited to a Board meeting. The chancellors' presentations should be presented to the State Assembly and Senate. The Regents' actions should not be limited to deliberation.

Committee on Compensation Chair Varner recommended high-level discussions with legislators and that the chancellors' accounts of the deleterious effects of budget cuts on the campuses be presented to the Legislature. The State is not a reliable partner. This unfortunate action should be short-lived. The University should immediately seek to secure a commitment from the State and then move on to seek other sources of income. He expressed concern about the loss of personnel and the ability to sustain the University.

Regent Reiss stressed that action on this item was an unwilling action by the Regents, because they knew it would lead to a decline in the quality of education at UC. She praised efforts that had been made, but emphasized that commissions, task forces, and white papers are not enough; the University must undertake a public information campaign. She referred to actions by the California Teachers Association and the California Peace Officers' Association. She asked that the Regents be provided with copies of AB 656. The Legislature and the public should be made aware of the chancellors' accounts regarding budget cuts on the campuses. She suggested press conferences in Sacramento with faculty and student representatives and stressed the need for an ongoing campaign.

Faculty Representative Croughan recalled that during the previous year, the University produced a report including information on the student-faculty ratio, under the direction of former Provost Hume and UC Irvine Executive Vice Chancellor Gottfredson. She recommended redistribution of that report to the Regents to inform the current discussion and expressed concern that the University is moving even further away from its original goal of one to 13 or 14 for the student-faculty ratio. Ms. Croughan enumerated some of the negative consequences when faculty are not hired or not replaced, including effects on laboratories, research programs, and courses; a longer time for students to complete their degrees; a reduction in the number of graduate students at UC; and a decrease in research productivity. Research productivity is an engine of economic stimulus in California and an important criterion in promotion of faculty. The University is now at a critical juncture in its support for graduate students. If the University does not advance its programs and, at best, maintains them, its status will begin to decline in relation to comparator institutions. Students will lose face-to-face contact with faculty and lose mentoring; as a result, students will be less competitive for future studies and fewer will continue with graduate or professional school.

Committee on Finance Chair Lozano noted the debilitating effects this action would have in the short and long term. She referred to the amendment proposed by Regent Garamendi which would express support for AB 656. She asked General Counsel Robinson for his opinion. General Counsel Robinson opined that, as a point of order, a vote on AB 656 at this time would be outside the notice the Regents provided for this item. He did not believe that the general public or members of the Board would have been able to determine from the notice provided that this would be a subject of discussion. There had not been an opportunity to prepare for a discussion or for the public to comment on whether or not the Regents should take a position on this bill. He recommended that the Regents not take action on the bill.

Regent Garamendi argued that his amendment was relevant to the issue before the Regents. It would allow for a reduction in furloughs and cuts, should revenue be made available through AB 656. He acknowledged that lack of awareness or knowledge of the legislation was a significant issue. Given the devastating cut being made to the University's present and future potential through this action, it would be worth the effort to include this issue in the Regents' actions at this meeting. He described this as an offensive rather than a defensive strategy. He stated that he would like to work with the

Chairman and others to take a stand and find a source of revenue for UC and the other two higher education segments. Regent Garamendi acknowledged that he was not pleased with some of the specific language in AB 656 and with its method of allocation for the three segments, but warned that, if the higher education segments do not support the bill, the financial situation next year will be much worse.

Regent Kozberg thanked Regent Garamendi for bringing AB 656 to the Regents' attention. The University's representatives in Sacramento could work for the bill or seek amendments as appropriate without Regental action.

Regent Garamendi anticipated that the bill will be heard by the Assembly. He suggested that the University could express support for the bill, enter into negotiations with the other two higher education segments and with the author of the bill, to write the bill in a manner sensible for all, and then present the bill to the Legislature in a unified way. Regent Garamendi stated that the bill was three votes short of passage and that the Governor had earlier expressed support for it. The University, the California State University, and the California Community Colleges could engage in a targeted campaign to secure those three votes. He stated that Californians have supported specific tax increases for specific purposes. In this case, the higher education segments could make a good argument, and if they did, \$300 million to \$400 million would be available during this budget year.

Committee on Finance Chair Lozano reflected that the comments made during this discussion demonstrated a passion to take bold action; they were not specific to a single piece of legislation. She called for an information campaign to all University stakeholders. The Regents clearly wished to do more to demonstrate their commitment to the University; the item being voted on today should not be implemented for more than one year. She emphasized the need to build revenue streams.

Committee Chair Lozano requested a roll call vote.

Upon motion duly made and seconded, the Committee on Finance approved the President's recommendation and voted to present it to the Board, Regents Bernal, Blum, Gould, Island, Kozberg, Lozano, Makarechian, Schilling, Varner, Wachter, and Yudof voting "aye," and Regent Garamendi voting "no."

The meeting adjourned at 12:55 p.m.

Attest:

Secretary and Chief of Staff

ATTACHMENT 1

Additions shown by underscoring; deletions shown by strikethrough

100.4 Duties of the President

***

100.4(qq)

(1) "Extreme Financial Emergency" for purposes of this Standing Order shall mean any event(s) or occurrence(s) creating an imminent and substantial deficiency in available University financial resources which could reasonably be expected to jeopardize the ability of the University, campus, or multiple campuses, to sustain its current or future operations in a manner which would allow it to fulfill its tripartite mission consistent with past practices. The deficiency in available financial resources may result from significant reductions in any of the following: legislative appropriation; state revenues which make appropriated funds unavailable; income from other sources including auxiliary enterprises and services, contracts, grants, gifts, tuition and fees.

(2) The President of the University shall have authority, consistent with legal requirements, to implement furloughs and/or salary reductions, on terms that the President deems necessary, for some or all categories of University employees, upon Declaration of Extreme Financial Emergency, as specified below. The President further shall have the authority, during the pendency of the Declaration and consistent with applicable legal requirements, to suspend the operation of any existing Regental or University policies otherwise applicable to furloughs and/or salary reductions that are contrary to or inconsistent with the terms the President deems necessary to the proposed implementation. The authority provided herein may be exercised with regard to the University as a whole or with regard to a campus or multiple campuses. For purposes of this section, Furlough means temporary unpaid time off of work where use of accrued vacation leave, compensatory time off, or any other paid leave or compensation may not be used.

(3) Extreme Financial Emergency may be declared only by the Regents on the President's recommendation. Any request by the President for approval of such a Declaration shall be made in writing directed to the Chair and Vice Chair of the Board and to the Chair of the systemwide Academic Senate, with copies directed to the Principal Officers of The Regents and appropriate University Officers. Such writing must generally describe the emergency conditions underlying the Declaration, the current or future effects of such conditions on campus or University operations, the expected duration of the Declaration if known (which in no event may extend beyond one year), a summary of the plan for implementing the

proposed furloughs and/or salary reductions, and the expected outcome of the proposed plan.

(4) The President shall engage in consultation with campus Chancellors, representatives of the systemwide Academic Senate and the appropriate representatives of systemwide staff and academics concerning the matters to be included in the request for approval of a Declaration of Extreme Financial Emergency prior to submitting the request to The Board of Regents. If the request for approval of a Declaration of Extreme Financial Emergency is submitted by a Chancellor to the President, the Chancellor shall engage in consultation with representatives of the divisional Academic Senate and the appropriate representatives of campus staff and academic representatives concerning the matters to be included in the request for approval of a Declaration of Extreme Financial Emergency prior to submitting the request to the President.

(5) The authority provided under this Standing Order is in addition to any authority otherwise provided University officials under other Regental or University policies and, except as provided herein, nothing in this Standing Order shall limit such other authority.

***

Attachment 2

Declaration of Extreme Financial Emergency
July 16, 2009

The Regents Find as Follows:

1) In the last two months, the Governor and the Legislature have proposed an $813.2 million reduction in the University's State appropriation for FY 2008-09 and FY 2009-10, representing a 20 percent reduction from FY 2007-08 levels.

2) The level of the proposed reduction in State funding is unprecedented for the University over a twelve month period of time.

3) Left unaddressed, the reductions would substantially affect the University's ability to deliver on its mission.

4) The fiscal challenges presented by the proposed reduction in State funding for the University are likely to persist at least through August 31, 2010.

5) In order to assist the University in addressing this funding reduction in the coming 12 months, the President has developed a Furlough/Salary Reduction Plan, effective September 1, 2009, to generate savings of an estimated $515.5 million of which $184.1 million in General Funds savings can be utilized to offset the $813.2 million State funding reduction.

6) The Plan, together with the Regentally approved student fee increases for FY 2008-09 (7 percent) and FY 2009-10 (9.3 percent) will partially provide the University with the ability to address the emergent fiscal conditions described above with the least impact possible to University operations.

7) The savings generated by the Plan combined with the student fee increases will not be sufficient to entirely address the State funding shortfall and further budgetary measures will still be required.

8) Steps have been taken and are being taken by the President and the Chancellors to reduce expenditures further, including continued reductions in the Office of the President, restructuring UC debt to achieve debt service savings in the next two fiscal years, severely curtailing faculty and staff hiring, eliminating positions and implementing lay-offs, closing and/or consolidating programs, reducing services on campus, and significantly restricting travel and purchasing.

9) In addition to the State appropriation reduction, the University is also facing an additional $335 million budget gap over the next two year period due to increasing costs not funded

by the State, including previous years' increases in student enrollment, health benefit and utility cost increases; the gap is exacerbated by the fact that State has not fulfilled its obligation to fund its share of the employer contribution to URCP for FY 2009-10.

10) In recognition of the severity of the current State budget reduction and the fiscal constraints the State continues to confront, University leadership is taking immediate steps to convene a Task Force to focus on long term structural planning so as to determine more permanent solutions to the reduction in State appropriations for the University.

11) The proposed furlough/salary reduction Plan was developed through an extensive consultation process consistent with the requirements of Standing Order 100.4(qq).

12) The Plan adequately incorporates the principles of balance, fairness and consistency.

WHEREFORE THE REGENTS DECLARE:

Based on the above findings, and on the information provided in the written materials and oral presentations submitted at the meeting of the Regents on July 15, 2009, the Regents hereby Declare an Extreme Financial Emergency for the period September 1, 2009 through August 31, 2010, and authorize the President to implement the provisions of Standing Order 100.4(qq).

ATTACHMENT 3

Furlough/Salary Reduction Plan
July 16, 2009

I. Introduction

This Furlough/Salary Reduction Plan (Plan) is submitted to the Regents pursuant to Standing Order 100.4(qq), to be added by amendment at the July 2009, Regents meeting. The Plan has been prepared under the procedures set forth in the Furlough/Salary Reduction Guidelines, a Presidential Policy to be implemented by the President following adoption of the Standing Order amendment. While the current Plan was prepared before the Guidelines had been formally adopted as policy, the University followed the draft Guidelines -- which are in substance the same as the Guidelines that have now been adopted -- as closely as possible under the circumstances in formulating the Plan.

II. Plan Goals and Principles

- The overall goal is to achieve payroll savings from General Funds of approximately $184.1 million over the Plan period. (Total savings from all fund sources is projected to be $515.5 million.)
- The Plan incorporates graduated furlough/salary reduction levels ranging from 4 percent to 10 percent so that higher compensated employees bear a relatively larger percentage of a reduction.
- The Plan protects employee retirement benefits (i.e., UCRP service credit and covered compensation) similar to the voluntary Staff and Academic Reduction in Time (START) Program (a voluntary reduction in time program).
- The Plan applies to as many UC employees as is legally permissible and operationally feasible.
- Flexibility on the use of furloughs is incorporated into the Plan to minimize disruption of essential services and work on campuses, the medical centers and the Office of the President.

III. Applicable Term

The Plan term is one year (12 consecutive months) for each Included Employees (defined below). In order to reprogram University payroll systems, the general Plan term will commence on September 1, 2009, and will run for 12 consecutive months thereafter. However, for equity and fairness as it is expected that every Included Employee will participate in the Plan for 12 consecutive months commencing from the first month the Plan is implemented as to that employee, some Included Employees will continue to participate whether or not the Emergency

Declaration period has been extended. By way of example, if, for reasons of collective bargaining or otherwise, an employee does not commence participation until November of 2009, the Plan would remain in effect for that employee for 12 consecutive months, through October of 2010, whether or not the Regents has renewed the Declaration of Extreme Financial Emergency.

IV. Included/Excluded Employees

The following employees are exempted from the Plan:

- Employees at the Lawrence Berkeley National Laboratory (LBNL) to the extent their compensation is funded pursuant to a contract with the U.S. Department of Energy, including Work for Others authorized by the Department of Energy, as the Department of Energy declined to approve an amendment to the Contract;

- Academic and staff employees whose Included Compensation as defined in the Plan is 100 percent funded from federal, state, other government or private contracts, grants or cooperative agreements**,** because salary savings from these employees must remain within the contract, grant or cooperative agreement, and thus cannot contribute to increasing campus general fund resources. (Academic and staff employees whose salaries are partially funded from federal, state, other government or private contracts, grants or cooperative agreements are included. However, the campuses, working with the Office of the President, will determine by October 15, 2009, whether the University's payroll systems and processes required to support the Plan can be modified such that, as to those employees, contract/grant funded salary can be prospectively excluded.)

- Student Employees, including postdoctoral, graduate and undergraduate employees, health sciences trainees and postdoctoral fellows, except where covered by collective bargaining agreement in recognition that their salaries help support their education and training;

- Foreign national employees working pursuant to H-type Visas in recognition that operational and administrative issues outweigh the small salary reduction savings for this group;

- Employees currently enrolled in the Staff and Academic Reduction in Time (START) Program (a voluntary reduction in time program) to the extent their voluntary reduction is maintained at a level equaling or exceeding the percent reduction for their respective pay band as set forth in Table 1;

- Employees whose participation is precluded by law. (Employees with contracts that cannot be changed unilaterally by the University will be asked for a voluntary salary reduction appropriate for their pay band.)

The Plan includes all other full and part-time University of California employees, including, but not limited to:

1. Non-Represented Staff;

2. Represented Staff (subject to obligations under the Higher Education Employer-Employee Relations Act);

3. Academic Senate Faculty;

4. Non-Senate Faculty;

5. Non-Senate Academics;

6. Members of the Health Sciences Compensation Plan Faculty;

With respect to represented staff, existing rights under law or contract will be used to implement the Plan. Where bargaining is required, the University will bargain in good faith so as to avoid implementing layoffs of employees to the greatest extent possible.

V. Included Compensation Under the Plan

Included Compensation subject to the Plan includes base pay, similar forms of regular pay and stipends, except as otherwise exempted, whether that income is derived from state funds, student fees, contracts, grants, cooperative agreements, auxiliary enterprises or other fund sources.

For Health Science Compensation Plan Faculty, their UCRP covered compensation -- X and X prime, but not the negotiated Y and Z -- will be reduced by the amount specified in Table 2(B), below.

VI. Plan Features

Included Employees will have their work time reduced by a specified number of furlough days to be taken throughout the Plan term as discretionary days off and/or during closure days, if any, as determined by their campus or location. The reductions will be calculated at the commencement of the Plan term and taken as a percent of salary such that Included Employees' pay will be reduced by the same percentage for each pay period during the Plan term.

In order to reprogram University payroll systems, the general Plan term will commence on September 1, 2009, and will run for 12 consecutive months thereafter. At the conclusion of the Plan term, all Included Employees' compensation will revert to its prior level.

The Plan is graduated such that the higher the Included Compensation of the employee, the greater the percentage of participation. Table 1 shows the participation level and effective salary reduction for all Included Employees except faculty. Tables 2(A) and 2(B) show the participation level and effective salary reduction for faculty.

TABLE 1*
Staff

Salary Band	Compensation	Furlough -- Days Off	Total Equivalent Salary Reduction (Approximate)
1	<= $40,000	11	4%
2	$40,001-$46,000	13	5%
3	$46,001-$60,000	16	6%
4	$60,001-$90,000	18	7%
5	$90,001-$180,000	21	8%
6	$180,001-$240,00	24	9%
7	>$240,000	26	10%

*All Senior Management Group (SMG) members will be provided only ten 10 furlough days regardless of their respective salary reduction level.

TABLE 2(A)
Academic Year Faculty

Salary Band	Compensation	Furlough -- Days Off	Total Equivalent Salary Reduction (Approximate)
1	< =$40,000	7	4%
2	$40,001-$46,000	9	5%

3	$46,001- $60,000	10	6%
4	$60,001- $90,000	12	7%
5	$90,001- $180,000	14	8%
6	$180,001- $240,00	15	9%
7	>$240,000	17	10%

TABLE 2(B)
Fiscal Year Faculty

Salary Band	Compensation	Furlough -- Days Off	Total Equivalent Salary Reduction (Approximate)
1	<= $40,000	10	4%
2	$40,001- $46,000	12	5%
3	$46,001- $60,000	14	6%
4	$60,001- $90,000	16	7%
5	$90,001- $180,000	19	8%
6	$180,001- $240,00	22	9%
7	>$240,000	24	10%

VII. Plan Implementation

The Plan is created to achieve the greatest possible payroll savings while allowing necessary flexibility for the work force to minimize disruption of essential services and work throughout the Plan term. This is achieved through calculating the reduction at the commencement of the Plan term, effectively as a percent pay reduction thus allowing Included Employees to be paid evenly through their pay periods throughout the Plan term. Included Employee pay will be reduced for the covered 12 month period per column 4 of Tables 1, 2(A) and 2(B).

The corresponding reduction in time (furlough days) will be reflected as time off days (column 3 of Tables 1, 2(A) and 2(B)). Some of the furlough days may be taken under a formal closure of a campus or Office of the President. Other days may be taken as floating days, subject to the individual's work schedule and supervisor's approval.

By way of example, an Included Employee (staff) is given 18 furlough days reflecting a seven percent salary reduction for the Plan term. Some of these 18 days may be used during formally scheduled furlough days that will be directed by a campus or the Office of the President throughout the year. The remaining days can be used at the employee's discretion as floating days off of work, subject to supervisor approval.

In order to ensure that essential services are not disrupted at the medical centers, the President may consider alternate plans from some or all of the medical centers for achieving the same level of savings. Senior Vice President Stobo will work closely with Medical Center Chief Executive Officers to ensure that the medical centers fully participate either through the Plan terms or through an alternate savings structure that may be determined to be less disruptive to clinical care.

VIII. Employees Participating in the START Program

In May of 2008, to achieve salary savings, the Regents approved a voluntary staff reduction program, known as Staff and Academic Reduction in Time (START) Program, a temporary voluntary time reduction personnel program effective from July 1, 2008, through June 30, 2010. Subject to individual departmental approval to participate, all full-and part-time non-probationary career ("regular status") staff employees and academic appointees, except those in faculty and student academic titles and Postdoctoral Scholars, are eligible to volunteer to reduce their time. Participation in the START Program for represented employees is dependent upon agreement by the applicable union.

Employees who have elected voluntary reductions in time under the START program will only be affected if their percentage of time under START is less than the reduction required for their respective salary bands set forth in Tables 1 and 2(A) and (B). For example, if an employee in START currently has a five percent reduction in time, but is required to take a seven percent reduction under this Plan, the employee will receive an additional two percent reduction under the Plan.

Employees who voluntarily terminate START before the expiration of the Plan term will have their salary reduced under their respective salary band for the remainder of the Plan term following such termination. If START is not extended beyond its current termination date of June 30 2010, START participants will continue to have salaries and time reduced per their relevant pay band from July 1, 2010 through the Plan term.

IX. Protection of Employee UCRP Retirement Benefits

For UCRP members impacted by a reduction in their rate of pay, the covered compensation used to calculate UCRP benefits, HAPC and Final Salary, may be negatively impacted. It is proposed to maintain members' pre-furlough/salary reduction rate of covered compensation so that their UCRP benefits are not negatively impacted by the furlough/salary reduction plan.

To protect a UCRP member's benefits from being negatively impacted from a loss of service credit, it is proposed to preserve the members' service credit accrual rate at the pre-furlough/salary reduction level. The proposed amendment to maintain the UCRP service credit accrual rate is similar to the UCRP amendment approved by the Regents for the voluntary START program. Similarly, for CalPERS members impacted by the State of California furlough program, a member's CalPERS benefit is not reduced by the reduction in time worked and the resulting reduction in pay.

While restoring members' UCRP benefits due to the impact of the Plan does not result in increasing benefits above what would otherwise have been expected, there are actuarial savings that would be foregone. the Regents' Consulting Actuary, The Segal Company (Segal), has evaluated the impact of the Plan on UCRP by estimating the actuarial impact that would occur if member's benefits are not restored. This "actuarial experience gain" is expressed as amount of Present Value of Benefits (PVB), which represents the discounted value as of a given date of the projected benefits expected to be paid over all future years. Segal has determined that if member's UCRP benefits are not restored, then the estimated effect on UCRP of the Plan occurring from September 1, 2009, through August 31, 2010, would be an actuarial experience gain that would reduce UCRP's PVB by an estimated $100 million (0.2% of UCRP PVB).

Segal also determined that an estimated $10 million less in UCRP employer and member contributions would be made from April 15, 2010 through August 31, 2010 as a result of the Plan. Those University employees who took a reduction in pay effective July 1, 2009 would be included in the proposal to maintain their rate of covered compensation so that their UCRP benefits are not negatively impacted.

X. Delegated Authority to Modify the Plan as Appropriate

Given the breadth and scope of this Plan and the very short time for its planning and implementation, it is recognized that issues may arise -- legal, operational, or otherwise – that may require alterations or changes to the Plan during the Plan term. The President proposes that the Regents expressly delegate authority to the President to make Plan alterations and changes, consistent with the Plan principles (Attachment 3(II)), as may be required for its implementation, during the Plan period.