

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
MEETING AS A COMMITTEE OF THE WHOLE**

January 19, 2011

The Regents of the University of California met on the above date at Price Center, San Diego campus.

Members present: Regents Blum, Cheng, DeFreece, De La Peña, Gould, Hime, Island, Johnson, Kieffer, Lansing, Lozano, Makarechian, Marcus, Newsom, Pattiz, Ruiz, Schilling, Torlakson, Varner, Yudof, and Zettel

In attendance: Regents-designate Hallett, Mireles, and Pelliccioni, Faculty Representatives Anderson and Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice Presidents Brostrom and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 8:40 a.m. with Chairman Gould presiding.

1. PUBLIC COMMENT

Chairman Gould explained that the Board had been convened as a Committee of the Whole in order to permit members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

- A. Mr. Arshya Sharifian, UCSD undergraduate student, expressed concern about the proposed \$500 million cut in State support to UC. He noted that the contribution to UC from student fees would be higher than that from the State. He also advocated more student representation on the Board of Regents.
- B. Ms. Tierra Moore, UCLA undergraduate student, noted that she had been admitted in 2008, the second year of UCLA's holistic admission reviews. She stated that holistic review enabled her to become a UC student, since she had been able to explain personal circumstances that had affected her high school grade point average. She thanked UCLA, UC Berkeley, and Regent Island for their leadership in adopting holistic review of applications.
- C. Ms. Eve Kent, of the Coalition of University Employees (CUE) Teamsters, spoke on behalf of unionized employees including clerical workers, who are essential to the functioning of UC for its students and medical center patients. She stated that the budget should not be balanced by denying a fair contract to an already underpaid group of employees.

- D. Mr. D. A. Bartolotta, UCSD Revelle College 1994 alumnus and member of CUE Teamsters, stated that the clerical unit has not had a contract, even though the cost of living in the San Diego area has increased. He recommended at least an annual cost of living increase.
- E. Ms. Kelli Fallon, third-year student and representative of the UC Student Association (UCSA) external vice-president's office at UCLA, expressed concern about the 2011-12 budget, given the eight percent fee increase that has already been imposed on students for the upcoming year and other recent fee increases. Ms. Fallon decried the increasing cost of attending the University. She acknowledged expansion of the Blue and Gold Opportunity Plan, but noted that undocumented students and many middle-class students do not qualify for financial aid. She urged the Regents to uphold the California Master Plan for Higher Education.
- F. Ms. Dortha Stewart, UCSD library assistant, and CUE Teamsters Local 2010 executive board and bargaining team member, expressed concern about treatment of their bargaining unit. She noted the union's long history of advocating for worker protection, strong contracts, civil rights, job security, reasonable pay progression, fair work rules, and equal pay for comparable work. She reported that CUE has filed more than 40 unfair labor practice charges against the University and has been in contract negotiations with the University since its Memorandum of Understanding expired in September 2008. She urged the Regents to direct the Office of the President to compensate employees fairly.
- G. Mr. Alonso Noble, chair of the UCSD Staff Association, welcomed the Regents to UCSD and expressed his appreciation to the Regents for involving staff, through the Staff Advisors to the Regents and the Council of University of California Staff Assemblies (CUCSA) leadership in important decisions that affect UC during unsettled times. He urged the Regents to continue to work with UC's staff who have much to offer in a search for solutions to common problems.

2. **REMARKS OF THE CHAIRMAN OF THE BOARD**

Chairman Gould thanked Chancellor Fox for her hospitality. He congratulated UCSD on this occasion of its 50th anniversary for its remarkable achievements in education and research, and its value to the San Diego community and the state.

Chairman Gould welcomed three new Board members, Lieutenant Governor Newsom, State Superintendent of Public Instruction Torlakson, and Regent Crane, recently appointed by Governor Schwarzenegger. Chairman Gould noted Lieutenant Governor Newsom's emphasis on improving access to higher education and Superintendent Torlakson's commitment to higher education since his career as a high school science teacher.

Chairman Gould stated that the Board would begin to consider Governor Brown's proposed budget, which calls for a \$500 million, or 16 percent, cut in State funding for UC. In addition, UC will incur an annual \$200 million cost of employer contributions to the UC Retirement Plan (UCRP), to which the State is not contributing, even though it does contribute to pension funds of California State University and the community colleges, and had contributed to UC's pension fund in the past. In addition to the proposed \$500 million reduction in State funds plus UC's nearly \$200 million annual contribution to UCRP, UC also faces nearly \$300 million in mandatory cost increases, such as negotiated contract increases, rising utility costs, and inflationary operational costs. In all, UC could face a budget gap of \$1 billion.

Chairman Gould cautioned that the Governor's proposed budget depends upon state voters' passing a June ballot measure authorizing continuation of nearly \$12 billion in taxes, which had been passed earlier on a temporary basis. Should the voters reject the ballot measure, UC could see even deeper budget cuts. Chairman Gould acknowledged the magnitude of the State deficit and expressed UC's willingness to help in any way it can to achieve the ultimate solution of California's return to prosperity through job creation.

The proposed State budget leaves the Board facing very difficult choices that will profoundly affect the future of public higher education in California. The Board will assess its options and their implications in the coming months. While UC will work toward its administrative efficiency goal as quickly as possible, Chairman Gould emphasized that administrative efficiencies alone could not fill a \$1 billion budget gap. The University will face real cuts to programs and services, which will be felt by all students, staff, faculty, and the citizens of California. UC is a vital part of California, providing research innovations, support for industries and businesses, workforce preparation, community services, and healthcare services. Chairman Gould asserted that the Regents would have to be prepared to act with some urgency to face this permanent change in the funding of the University, recognizing that their decisions would shape UC for decades to come. Chairman Gould stressed that the Board's first obligation is to protect the quality of the University for future generations of Californians.

3. **REMARKS OF THE PRESIDENT OF THE UNIVERSITY**

President Yudof welcomed the new members of the Board of Regents, including Governor Brown, whose policies will greatly affect UC. The Governor's proposed \$500 million reduction in UC State funding would mean that, for the first time in the history of the University of California, funds from student tuition would exceed the State's appropriation. President Yudof observed that the fact that UC is a public, rather than a private, institution makes the crossing of this threshold even sadder.

Even though this cut in State funding is monumental, it represents only half of UC's budget problem, given other impending increases in pension and health benefit costs, contract obligations, and energy costs. UC faces a \$1 billion shortfall for the second time in three years.

President Yudof expressed his opinion that the Governor is serious about his proposed budget reductions and noted his agreement with the Governor that something must be done to get the State's finances in order. However, these proposed budget reductions would have grave implications for the University. He stated that the Board must proceed under the assumption that these reductions will occur, while continuing to press its case with the Legislature and the Governor.

President Yudof stated that he will give specific targets for budget reductions to each campus and to the Office of the President. Each campus will develop specific plans; President Yudof will meet with the campuses' leadership teams in February and report to the Board of Regents in March. He advised that UC is a decentralized system, and decisions must be made at each campus. He cautioned that these cuts will be painful.

President Yudof advised that, under the latest budget proposals, it will be very difficult to achieve UC's three goals of excellence, access, and affordability. UC is moving dangerously close to the point where it can fulfill only two of its three goals. The University could expand access to meet the demands of a growing populace and an ever more competitive global economy, and fight to remain affordable. But he cautioned that UC could not accomplish these two goals and still be confident in its ability to retain its outstanding faculty, which is the envy of the world. As an alternative, the University could maintain its excellence, which President Yudof considers non-negotiable, and sacrifice access and affordability. Serving future generations of Californians would require a commensurate increase in funding and the University currently has no reliable source of such funding other than the tuition paid by students.

Noting that there is an eight percent fee increase in place for 2011-12, and that there has been a 40 percent increase over the past three years, President Yudof stated that, while he could not absolutely rule out further fee increases, his strong preference is that the latest reductions be absorbed without any further tuition increases. Efforts to increase administrative efficiencies and to restructure debt would be accelerated, but savings from these measures would not be sufficient to bridge the funding gap.

While he supports the recommendations of the UC Commission on the Future (Commission), President Yudof stated that they would not go far enough and cautioned that UC might be forced to consider the contingency proposals discussed in the Commission's report, which were not endorsed pending review of the extent of cuts proposed by the Governor. Alternatives such as reducing the portion of fees returned to financial aid, reducing the size of the faculty over time through retirement, laying off large numbers of staff, or enrolling more nonresident students would generate sizeable income, but are extremely unattractive. President Yudof stated that he foresees the moment fast approaching when the University can no longer guarantee admission to all eligible California applicants. He stated that if the Board does not want to take that step, then other difficult measures would have to be taken. The commitment to admit all eligible California residents is a fundamental aspect of the California Master Plan for Higher Education (Master Plan), but California has not been funding the Master Plan for

the past 20 years. The situation is all the more tragic, in President Yudof's view, since according to UC's strategic plans, the University could admit 20,000 to 30,000 more students in this decade, carrying the nation toward meeting some of the educational goals of President Obama and others, if UC had the necessary funding. However, President Yudof stated that, at the current level of State support, UC does not have the classrooms, the professors, or the student support services to make that possible and maintain the quality of the University.

UC has already slightly reduced the size of the entering freshman classes for the past three years, denying 9,000 California high school graduates admission, and still has 11,000 students on campus for whom UC receives no State funding. This trajectory is not sustainable. Trying to accommodate more students with less State funding would eventually result in overcrowded classrooms, over-extended faculty, and the potential for a faculty and staff exodus. President Yudof stated that this fiscal reality forces him to examine the grim option of shortening the reach of the University in terms of enrollment; other controversial alternatives are revisiting fee increases and financial aid provisions. President Yudof stated that he views any options that reduce the opportunity that UC represents as entirely regrettable.

President Yudof cautioned that the specter of shrinking the University could not come at a worse time. At this meeting, the Regents would consider an item moving all nine academic campuses toward a policy of holistic admissions, which he views as more fair to students. He complimented systemwide Director of Undergraduate Admissions Susan Wilbur for her leadership on this initiative and for her 30-year career at UC. He recounted his meetings with students, teachers, and parents at many low-income, predominantly Hispanic high schools throughout California. He recalled a particular Watsonville high school from which he could see the fields where many of the parents worked. The yearning of these young people to enter the world of the University of California was palpable.

He described meeting a boy from Sunnyside High School in East Fresno who asked for President Yudof's help getting into UC. President Yudof recalled that he told the boy that if he did his part by listening to his parents, staying in school, keeping his grades up, and applying for financial aid, the University would do its part and that the boy would not be precluded from attending UC because he was from a low-income family, a non-English-speaking family, or a family from which no one had gone to college. He told the boy that UC would do its part to ensure a place for him through the Blue and Gold Opportunity Plan and other programs. President Yudof stated that if that boy fulfilled his responsibilities, but there was no room for him at UC, then UC would have failed at its mission.

4. **REMARKS OF THE LIEUTENANT GOVERNOR**

Lieutenant Governor Newsom stated that he appreciated the graciousness of the Regents in welcoming him. He expressed concern about the current challenges to the University, given that the strength of California is in its people. While he appreciated President

Yudof's pragmatic evaluation, Lieutenant Governor Newsom expressed his view that new approaches must be considered. He stated that he is unconvinced that UC will lose \$500 million as a result of budget negotiations and believes the State must reconcile its responsibilities, even given the difficult choices it faces. If the University is of high value to the state, it must be prioritized and supported. At the same time, UC must become more efficient and continue to develop new private and public partnerships.

Lieutenant Governor Newsom confirmed his admiration for the work of the Board and his intention to engage on behalf of the University. As chair of the California Commission for Economic Development, he recognizes that California cannot have economic development without a workforce development strategy. He confirmed that UC would be a partner in the new administration's economic development efforts. He urged the Regents to set very high goals for the coming decade to enliven the quality of imagination that is so fundamental to the University of California.

5. REMARKS OF THE STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

State Superintendent of Public Instruction Torlakson stated that he is a former teacher and an optimist. He acknowledged the huge threats facing UC, but noted a crisis also offers opportunities. He stated that he appreciated the prior comments of President Yudof. As he has watched his own children go through UC, Superintendent Torlakson had always been impressed with the quality of their colleagues, with the talent, aspirations, and positive energy of their fellow students.

Superintendent Torlakson stated that all educational segments of California must combine to educate the voters about the necessity of investing in the state's educational systems. He reported that his office is assembling a transition advisory team. He intends to focus on student health, teacher preparation programs, career technical education, literacy, science, technology, engineering, and mathematics (STEM) issues, workforce preparation, college readiness, multiple pathways, and reducing dropout rates. He will have a round table meeting with President Yudof and leaders from other segments of the higher education system to plan how they will work together to convince the public of the necessity of returning to its prior level of State investment. He noted the vast resource of UC alumni who could be mobilized toward this goal. He expressed confidence that a new California will emerge from the current fiscal crisis.

6. REMARKS OF THE CHAIR OF THE ACADEMIC SENATE

Faculty Representative Simmons welcomed the new members of the Board and thanked Chancellor Fox for hosting the Regents' meeting at UCSD. He joined President Yudof in recognizing the outstanding contributions of systemwide Director of Undergraduate Admissions Wilbur. Mr. Simmons stated that the Governor's proposed cuts coming in addition to those of the past decade require the Board to consider fundamental changes in UC. He emphasized that without adequate revenues, UC would not be able to sustain its work at its customary level. The proposed budget cuts would affect the size of the University, with its 11,000 faculty, 130,000 staff, and 220,000 students; the cuts would

affect construction of new buildings and leave existing structures to deteriorate as maintenance is cut back. He urged the Board to remember the history of the University and particularly the values that have built what is probably the greatest institution of higher education in the world.

Mr. Simmons stated that the University is, first and foremost, an institution of public higher education; UC's dedication to actions that enhance the public good is one of the main reasons for the immense loyalty of staff and faculty. The University was founded to bring education to the state's diverse population and to spearhead the state's economic development that has resulted in California's extraordinary success. UC, together with the California State Universities and the community colleges, educates the workforce that is the engine of California's economic development. Moreover, the University educates the people who develop the enterprises that employ the state's educated workforce as well as the most innovative thinkers and researchers whose discoveries lead to the next generation of knowledge. Mr. Simmons emphasized that the Board must protect the teaching and research mission of the University.

Mr. Simmons stated that UC stands on the three-legged stool of affordability, access, and quality. Access and affordability would fade without quality. The research component must be maintained as the backbone of the University's teaching. Mr. Simmons stated that the Regents should strive to protect a commitment to research and teaching; access for the best of California's students from all parts of the state's diverse population; UC's strong, multi-campus system that serves all regions of California by maintaining teaching and research at all ten campuses; competitive graduate programs as an important component of UC's research program; and UC's unique system of shared governance.

Regent Lansing welcomed the new members of the Board and thanked Chancellor Fox for the opportunity to meet at her extraordinary campus. She noted that, although UC currently faces \$1 billion in cuts, the Board remains committed to maintaining the quality of the University. She emphasized that it is most important to think of new sources of revenue and new partnerships, so that the University is not entirely dependent upon the State.

The Committee recessed at 9:40 a.m.

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The Regents reconvened at 11:25 a.m. with Chairman Gould presiding.

Members present: Regents Cheng, DeFreece, De La Peña, Gould, Hime, Island, Johnson, Lansing, Lozano, Makarechian, Newsom, Ruiz, Schilling, Torlakson, Varner, Yudof, and Zettel

In attendance: Regents-designate Hallett, Mireles, and Pelliccioni, Faculty Representatives Anderson and Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice

Presidents Brostrom and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Darling, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary Johns

President Yudof introduced UC Student Association (UCSA) President Claudia Magaña, a third-year undergraduate student at UC Santa Cruz.

Ms. Magaña noted that student fee increases are harmful to the public mission of UC and in conflict with the California Master Plan for Higher Education. Now, for the first time in UC history, revenue generated by student fees will exceed State support. While students understand that difficult decisions lie ahead for UC, it is critical to meet student needs when evaluating institutional priorities. Ms. Magaña cautioned that overreliance on student fees would create a stratified student body, with students whose families can afford a UC education on the one hand and students eligible for financial aid on the other, while pushing out middle-income students. She communicated UCSA's demand that UC decision-making in response to State cuts be transparent and equitable to students. She asked President Yudof to request that chancellors include students in their discussions about reductions the campuses would make. She invited Regents to join UCSA in a rally at the Capitol on February 28.

Ms. Magaña expressed UCSA support for a systemwide holistic admissions process to promote a diverse and multifaceted student body. Campuses need to provide support services aligned with students' backgrounds, to create safe spaces, and to guard against racially motivated hate crimes.

Ms. Magaña stated that institutional aid for undocumented students is necessary now and expressed the hope that the California Development, Relief and Education for Alien Minors (DREAM) Act would soon become law. This legislation would be a main focus of UCSA's lobbying effort. She asked that the Regents sign a letter of support for the DREAM Act.

The meeting adjourned at 11:30 a.m.

Attest:

Secretary and Chief of Staff