

The Regents of the University of California

COMMITTEE ON EDUCATIONAL POLICY

January 18-19, 2012

The Committee on Educational Policy met on the above dates at Highlander Union Building, Riverside campus.

Members present: Regents Hallett, Kieffer, Mireles, Reiss, and Zettel; Ex officio members Gould, Lansing, and Yudof; Advisory members Powell, Rubenstein, and Stein; Staff Advisor Herbert

In attendance: Regents Blum, De La Peña, Makarechian, Pelliccioni, Ruiz, Schilling, Varner, and Wachter, Regent-designate Mendelson, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 9:35 a.m. with Committee Chair Reiss presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of September 14-15, 2011 were approved.

2. **THE UNIVERSITY OF CALIFORNIA EDUCATION ABROAD PROGRAM: UC'S GLOBAL CAMPUS CELEBRATING 50 YEARS OF EXCELLENCE IN INTERNATIONAL EDUCATION**

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

Committee Chair Reiss noted that UC's Education Abroad Program (EAP) was celebrating its 50th anniversary; the program contributed both to UC students' education and to UC's reputation internationally.

Provost Pitts introduced Associate Vice Provost Jean-Xavier Guinard, who has been Executive Director of the EAP for slightly more than one year. Mr. Guinard stated that the EAP, UC's global campus, is a flagship program for UC and an innovative leader in international education. The EAP had previously been housed at the Office of the President, but is currently a systemwide program administered at UC Santa Barbara, with

the beneficial support of Chancellor Yang and Executive Vice Chancellor Gene Lucas. Mr. Guinard expressed pride in the EAP's growth. In 1962, 80 UC students went to Bordeaux, France, as part of UC's first EAP; in 2010-11, more than 4,800 UC students studied abroad in 35 countries.

Mr. Guinard stated that cost and issues involving academic credit were the two main obstacles to study abroad at UC. In order to address these obstacles, EAP had developed new initiatives. EAP currently operated with a new business model under which it retains student fees and return to aid. EAP had turned a \$1 million deficit from the prior year into a \$5 million surplus in the current year. EAP planned to reinvest in its strategic initiatives, share revenue with the campuses, and build a contingency reserve. More importantly, EAP was also initiating a scholarship fund of \$500,000 for each of the subsequent three years, in order to increase accessibility and student participation. Mr. Guinard stated that EAP currently has 100,000 alumni and a development program was also being initiated.

In response to a question from Regent Kieffer, Mr. Guinard confirmed that, after having been originally headquartered at UC Santa Barbara, EAP moved to the Office of the President, and then back to UC Santa Barbara. Regent Kieffer asked how UC's EAP compared with study abroad programs at other universities. Mr. Guinard said that UC's EAP has been an innovator and a leader in many aspects of its program. UC is first among public universities in the number of students participating in year-long immersion programs. He stated that, although EAP sends only 1.6 percent of the nation's study abroad population, its students receive ten percent of Benjamin A. Gilman International Scholarships, sponsored by the U.S. Department of State for Pell Grant recipients, a measure of EAP's success in providing student access. Mr. Guinard stated that UC sends its faculty to serve as study center directors abroad, although funding cuts have forced a reduction in the number sent; alternative models are being explored in order to continue to have strong UC faculty involvement. Currently 20 percent of UC students have a study abroad experience, either through EAP, other campus-based programs, or programs sponsored by third-party providers. The University compares favorably with peer public institutions. In addition to the EAP, almost all UC campuses have their own study abroad programs, many of which are faculty-led summer programs. These programs have been extremely successful and can be a source of revenue for the campuses. Mr. Guinard noted the challenge of maintaining an appropriate balance among EAP, campus-based programs, and programs of third-party providers. He stated that, since 80 percent of UC students currently do not study abroad, there is room for program growth.

Regent Kieffer asked how large the campus-based programs were in comparison to the EAP. Mr. Guinard stated that, for example, UC Davis has four faculty-led summer study abroad programs, which draw approximately 800 students systemwide including 500 UC Davis students. In addition, UCLA and UC San Diego also have strong summer programs. Regent Kieffer asked why the proportion of students studying abroad varied widely among UC campuses. Mr. Guinard stated that some campuses, such as UC San Diego, have spent many years developing study abroad opportunities involving campus-

based programs, the EAP, and programs from third-party providers; their efforts result in a higher percentage of their students studying abroad.

Regent Makarechian suggested that the next presentation about the EAP include not only statistics, but also information about specific programs abroad that UC students attend. Mr. Guinard stated that the EAP sends students to over 120 partner institutions with programs ranging from classroom-based learning to more experience-based internships, service learning, and research opportunities. The EAP was developing new initiatives to keep current in the rapidly changing field of study abroad.

Committee Chair Reiss suggested that Provost Pitts seek a California State Assembly, Senate, or Joint Resolution congratulating the EAP on its 50th anniversary. Dr. Pitts stated that his office was actively pursuing such a resolution. He noted the tremendous value to UC students of their study abroad experiences.

3. **ANNUAL ACCOUNTABILITY SUB-REPORT ON DIVERSITY AT THE UNIVERSITY OF CALIFORNIA**

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

Committee Chair Reiss noted the unanimous Regental support for efforts to increase diversity throughout UC. She commented that a portion of Governor Brown's proposed budget tightening the requirements for Pell Grants would only hurt UC's efforts to increase diversity and would reduce access for lower-income students.

Provost Pitts stated that the Sub-Report on Diversity (Report) was submitted annually in keeping with the recommendation of the Regents' Study Group on University Diversity. He noted that, while UC was well ahead of most other public universities in its efforts to improve diversity, it was a fight the University continued to wage with much work still to be accomplished. The Report highlighted three areas of focus: graduate professional programs, recruitment and hiring of faculty, and campus climate. Dr. Pitts said that the University had active efforts in all these areas, and all required continued steady application. He introduced former student Regent Bernal, who currently serves ably as Interim Diversity Coordinator for the Office of the President.

Regent Ruiz complimented the Report's honest assessment, but expressed his concern about the slow pace of progress. While there may be many reasons for the difficulty of increasing diversity, Regent Ruiz emphasized the importance of this goal for UC. He noted that the recently gained ability of undocumented students to receive financial aid was significant. Regent Ruiz stated that the goal of increasing diversity was part of the performance review for the President and chancellors, and expressed his disappointment with current progress.

Dr. Pitts stated that he shared Regent Ruiz's concern about the slow pace of progress. However, he stated demonstrable progress had been made in some areas. Over the past

decade, the University had directed specific attention to increasing the proportion of women faculty. The number of Chicano-Latino undergraduate students had increased; the University must find more ways to encourage these students to attend graduate school, which, in turn, provides the population for faculty recruitment. The Deans of UC's business schools plan to inaugurate a two-week summer program to recruit students from historically black colleges and universities, with the goal of introducing these students to the possibilities of graduate education at UC business schools. Dr. Pitts stated that, based on the strength of its proposals, UC received four of the 12 National Science Foundation grants given to improve performance in recruiting women and underrepresented minorities into science, technology, engineering, and mathematics (STEM) fields.

Staff Advisor Herbert expressed her support for the campus climate survey and noted the high level of engagement of staff, faculty, and students in planning for implementation to occur later in the year. The survey's data would be a starting point and a guide for next steps to more fully serve and reflect the population of California. Ms. Herbert commented that the process of sharing best practices among the campuses had been very fruitful. Dr. Pitts added that President Yudof's support had allowed the project to move forward with funding from the Office of the President.

Regent Mireles asked why some specific groups, such as graduate students, senior management, and ladder-rank faculty lagged in diversity. Mr. Bernal replied that the pipeline of students coming into UC is affected by rates of eligibility and experience in the broader state population. A significant systemic problem rests in the rates of underrepresented minority students graduating from California high schools, which affects that population's rates of undergraduates, graduate students, and professionals at UC. The University was addressing the problem through specific programs. Dr. Pitts stated that the President's Postdoctoral Fellowship Program funds two-year fellowships for underrepresented minority students, with the goal of moving the students toward university faculty positions. One-third of the students entering that program gain faculty positions at UC; many of the remaining two-thirds become faculty at other institutions. Additionally, the program supports half of the salaries for 12 to 15 new faculty from underrepresented minorities for five years; the campuses value this salary support.

Regent Varner noted UC Riverside's success in achieving diversity among its student population and in the graduation rate of its underrepresented minority students. He asked what efforts were being made to increase UC faculty diversity. Dr. Pitts noted that the Merced and Riverside campuses are Hispanic-Serving Institutions (HSI), and the Santa Barbara campus had recently become eligible to be a HSI. Regarding faculty recruitment, Dr. Pitts stated that a new electronic process for viewing all applicants for faculty positions would result in more complete data about the diversity of the applicant pool.

Regarding the composition of search committees, Dr. Pitts stated that studies have shown that increasing the number of women on search committees leads to increased hiring of women faculty. The University is addressing the composition of search committees. For instance, most campuses require that at least the chair and sometimes all members of search committees have some introduction to the importance of diversity.

Committee Chair Reiss also complimented UC Riverside on the diversity of its student body and noted California's leadership in encouraging development of charter schools, which she stated have shown the potential for accomplishment of underrepresented minorities. Committee Chair Reiss asked that future Sub-Reports on Diversity include data on the diversity of faculty search committees. She also suggested that, at the time of the next report, the chancellors share methods they use to increase faculty diversity. Dr. Pitts responded that his office had statistics about gender and ethnic diversity on faculty search committees; he would provide this information to Committee Chair Reiss.

Regent-designate Stein pointed out that 30.9 percent of the prior year's California resident applicants who filed Statements of Intent to Register (SIR) at UC came from underrepresented communities, compared to only ten percent of the out-of-state SIRs. Since nonresident student tuition is so much higher than resident tuition, a lack of economic diversity in the out-of-state SIRs would also be anticipated. Regent-designate Stein expressed his concern about the effect on diversity of the plan to accept more nonresident students. He asked why the nonresident student pool would be so much less diverse. Dr. Pitts responded that a challenge was created by the correlation between socioeconomic and ethnic diversity of the out-of-state applicant population, exacerbated by the fact that nonresident students are eligible for much less aid than resident students are. He noted the value of geographic diversity added by domestic and international nonresident students. Dr. Pitts stated that UC sought to recruit highly qualified nonresident students from underrepresented minorities, although the University was constrained in how it can approach that goal through its admission policies.

Chancellor Katehi stated that diversity is extremely important to UC Davis and the other campuses. Her campus has tried to improve its recruitment of underrepresented minorities in various geographic areas. For instance, the Davis campus has a large population of Latino-Chicano students from northern California, and has increased its outreach to that population in southern California. She reported that increasing faculty diversity has been more difficult. The campus would like to increase its number of Latina-Chicana faculty, to reflect its undergraduate population; such recruitment was supported by a program from the Office of the President as well as a program being developed at the campus.

Chancellor Blumenthal stated that he was relatively pleased with progress in increasing student diversity at UC Santa Cruz, with the proportion of underrepresented minority freshmen increasing from 25 percent to 33 percent over the past five years. He anticipated that the campus would achieve HSI status in the upcoming fall, another measure of success. He stated that, systemwide, a significant factor in the slow progress in increasing the diversity of faculty was that budget cuts have limited the campuses' ability to hire faculty. Diversity would not increase without turnover and faculty usually stay at UC for a long time. Since data show that a significant number of UC faculty would be retiring within the upcoming five to ten years, an opportunity would exist to increase faculty diversity during that time. He cautioned that, if the opportunity were not seized, another window might not open for a long time. Committee Chair Reiss suggested

that Dr. Pitts and the faculty develop a plan of approach for that upcoming period of anticipated faculty turnover.

Chancellor Birgeneau stated that the chancellors place a high priority on achieving diversity, but recognize its challenges, which are different on each campus. He stated that the senior management group (SMG) at UC Berkeley is highly diverse. One-third of Berkeley's vice chancellors are African American, two associate chancellors are African American, and the SMG includes a large number of women. He noted that Executive Vice Chancellor and Provost George Breslauer had been successful in significantly increasing diversity among the deans. The challenge remains that these groups are more diverse than Berkeley's faculty is. In the upcoming week, John Powell, an African American and leading national scholar on civil rights, would join Berkeley's faculty and lead the Haas Diversity Research Center, which had added a significant number of Latino-Chicano and African American faculty. Chancellor Birgeneau also noted that UC played a crucial role in ensuring the passage of AB 130 which allows undocumented students access to privately funded financial aid, and AB 131 which allows these students access to publicly funded financial aid.

Chancellor Birgeneau noted that both he and Chancellor Block have introduced Posse Scholar Programs, which recruit underrepresented minority students from Los Angeles. While the Posse program at Berkeley currently involved only 40 students, Chancellor Birgeneau emphasized its importance, as the program was renowned for its very high graduation rate and producing graduates who go on to become community leaders. He hoped that the Committee would focus on successful efforts. He recalled that a group of Berkeley's undocumented students recently held a dinner for him and his wife to express gratitude for efforts made by UC leadership to help undocumented students. These students recognize the commitment UC has to having a representative student body.

Chancellor Fox stated that UC San Diego had used its research infrastructure to help support undergraduates from diverse backgrounds. The Gates Millennium Scholars Program granted 39 full tuition scholarships at UCSD, including four years of undergraduate school and up to five years of graduate school. Chancellor Fox recalled that, although UC San Diego had lost a cadre of three computational biologists who were offered much higher compensation by a competing university, her campus had recently hired clusters of faculty in the fields of social justice, systems biology, and alternative energy.

Chancellor Drake stated that UC Irvine had a 50 percent increase in African American freshmen and a 30 percent increase in Latino-Chicano freshmen the past fall. Irvine has a new student outreach program, funded and staffed by students. The UC Irvine School of Medicine's enrollment of underrepresented minorities in its first-year class increased to 21 percent; there is a higher percentage of African American students at UC Irvine than there is in surrounding Orange County. Chancellor Drake stated that the challenge of increasing diversity reflects larger societal problems, and must be considered broadly. He also noted that underrepresented minorities who have been recruited in leadership

positions sometimes find it difficult when they arrive on campus. These pernicious problems must be addressed on a daily basis.

Committee Chair Reiss stated that she had accompanied President Yudof, Los Angeles Mayor Antonio Villaraigosa, and Los Angeles Unified School District Superintendent John Deasy during an outreach visit to a large ethnically diverse high school in Los Angeles. She asked whether the chancellors each had a high-ranking person at their campus work on outreach to students in local high schools in order to increase the students' awareness of potential financial aid at UC. She also asked the chancellors to report back to the Committee about particular outreach measures that have been effective at their campuses and of ways the Regents could support such efforts.

Chancellor Leland stated that UC Merced has a grant-funded outreach program to local K-12 students, particularly focusing on middle school students, and parent education for low-income families with first-generation college students. Parents are given tools to assist their children in navigating middle school and high school in a way that they could emerge eligible for postsecondary education. Outreach classes are taught in multiple languages. Chancellor Leland noted that elements of the Hispanic and Hmong populations in the Central Valley have suffered through years of poverty. Data show that students touched through such outreach programs have a much higher likelihood of graduating from high school and entering a postsecondary educational setting. Chancellor Leland stated that a large percentage of UC Merced's diverse student population is low-income and first-generation college students. She acknowledged that the campus' graduation rates were not yet as high as UC Riverside's, but stated that many students of UC Merced's early cohorts left the campus, not because of academic failure, but rather because they changed to a major that was not offered.

Chancellor White stated that UC Riverside had partnered with the City of Riverside and AmeriCorps to reach out to local young people and their families from the Eastside neighborhood. He stated that the program was equally moving to the young local students and the UC Riverside students who worked in the program. UCR has many other outreach programs that achieve good results, such as programs to recruit students in STEM fields.

Chancellor White added that it takes courage for UC students, staff, and faculty to advocate diversity as an essential value for the University and the only route to achieve true excellence. He recalled a student-organized event, held in a non-State building, to raise funds for AB 540 undocumented students, of which he estimated there were 200-300 at UCR, slightly less than one-half Hispanic, the balance Asian, Canadian, and European. Chancellor White recalled attempts by a local group to intimidate both the campus and the students from having the event. Even though UC Riverside has demonstrated success in achieving diversity, courage is still required to show leadership in the face of such attempts at intimidation.

Chancellor Block commented that UCLA has extensive outreach programs to hundreds of local schools, from grade school through a program to assist high school students

prepare UC applications. The UCLA Community School was started to serve largely underrepresented communities and also helps the University learn about ways to approach outreach issues.

Chancellor Yang agreed with the importance of having a high-level administrator work on outreach programs on a daily basis. He described a UC Santa Barbara outreach program to a local low-income high school. Chancellor Yang attended the school's board meetings and the program brought the students to UCSB for a day. Since Chancellor Yang started at UCSB, the percentage of underrepresented minorities in the student body has increased from 15.3 percent to 25 percent. In fact, among Association of American Universities members, UC Santa Barbara has the highest percentage of Latino-Chicano students in the nation. He stated that his campus is working toward increasing that percentage by three more points, so it can qualify to be a HSI and receive federal grants.

The Committee recessed at 10:35 a.m.

The Committee reconvened on January 19, 2012, at 1:10 p.m. with Committee Chair Reiss presiding.

Members present: Regents Kieffer, Mireles, Reiss, and Zettel; Ex officio members Gould, Lansing, and Yudof; Advisory members Powell, Rubenstein, and Stein; Staff Advisor Herbert

In attendance: Regents De La Peña, Makarechian, Pelliccioni, Ruiz, and Varner, Regent-designate Mendelson, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice President Lenz, Chancellors Block, Blumenthal, Desmond-Hellmann, and Katehi, and Recording Secretary McCarthy

4. **2010-11 ANNUAL REPORT ON PRIVATE SUPPORT**

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

This item was not presented.

5. **REPORT ON ADVOCACY**

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

This item was not presented.

6. **PLANNING FOR THE FUTURE, SAN FRANCISCO CAMPUS**

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

Chancellor Desmond-Hellmann stated that UC San Francisco's vision is to become the world's preeminent health sciences innovator. She acknowledged that some might question the loftiness of this vision, given current financial conditions, but pointed out that Apple Computers and Genentech were started during the difficult financial period around 1976. Chancellor Desmond-Hellmann suggested that a time of crisis could present an opportunity for those who strive to reach beyond the crisis and asserted that UCSF had a very strong foundation on which to build. She noted that since UCSF, with only 3,000 students and 2,300 faculty, had a \$6.2 billion effect on its local community, it had a responsibility at the heart of its public mission to ask how UCSF could accomplish its goals during these difficult times.

Chancellor Desmond-Hellmann stated that *U.S. News and World Report* recently ranked UCSF fourth among schools of medicine and nursing, and first among schools of pharmacy. In National Institutes of Health (NIH) funding, UCSF's schools of pharmacy, nursing, and dentistry ranked first among all institutions, and its school of medicine ranked second among all institutions and first among public institutions.

She emphasized the importance of UCSF's public mission, including its science and education partnership, in existence since 1987, and its participation in the Program in Medical Education for the Urban Underserved (PRIME-US). Many UCSF volunteers, such as Dr. Willie Moses, assisted earthquake survivors in Haiti. Each year 20,000 physicians participate in the campus' Continuing Medical Education program. UCSF also benefits California by creating jobs and building new capacity to care for the underserved in its medical centers.

UCSF's excellence in research was reflected by its receipt in 2011 of more than \$500 million in NIH funding, the most important source of public funds in medical research. UCSF has four Nobel Laureates. Its groundbreaking work in the field of stem cell research has led to enormous investment in California. Many companies were founded based on UCSF research, including Genentech, Chiron, Onyx, and FivePrime. The campus has also had a substantial impact on people worldwide through its Global Health Sciences program founded by Chancellor Emeritus Haile Debas.

UCSF's academic medical center was ranked one of the top ten hospitals in the nation and is expanding its facilities to the UCSF Medical Center and UCSF Benioff Children's Hospital in Mission Bay, scheduled to open by 2015 as the first new hospital in San Francisco in 30 years. Patients come to UCSF for clinical treatment from all over the area, the nation, and the world. UCSF faculty serve at San Francisco General Hospital, at the Veteran's Administration (VA), which has the nation's largest VA research program, and at UCSF's clinics, which assist a largely underserved population throughout San Francisco.

UCSF's excellence has attracted an outstanding group of supporters. The UCSF Foundation Board is the center of community relations and fundraising efforts. Chancellor Desmond-Hellmann formed the Chancellor's Advisory Board and UCSF Medical Center Chief Executive Officer Mark Laret formed the UCSF Medical Center Advisory Board. Current members of these boards include leaders in high technology, biotechnology, and business.

Chancellor Desmond-Hellmann stated that, she and her leadership team had been working on a short-term action plan, which they shared throughout the UCSF campus in October 2011. She characterized the goals of the plan as aspirational, linked to the team's vision for UCSF, involving patients, research, education, great management, and diversity. The plan's final goal would be to create a financially sustainable enterprise-wide business model, essential if the campus was to achieve any of its public mission aspirations.

The Chancellor pointed out that UCSF's revenue profile is different from other UC campuses', since it obtains 80 percent of revenue from its clinical enterprise and research grants. She noted that the development of a new business model would necessarily leverage the campus' unique business profile.

Chancellor Desmond-Hellmann addressed other ways in which UCSF is unique among UC campuses. UCSF focuses exclusively on health sciences. Since the campus has a small student base and no undergraduates, only a limited portion of its revenue comes from tuition. Just five percent of UCSF's revenues come from State funds, yet many of UCSF's finance and other staff must spend a substantial amount of time responding to changes and uncertainties in State funding. She noted that the health sciences industry, upon which 80 percent of UCSF's funding is based, is a highly competitive and quickly changing field. While the health sciences field is growing, it is becoming even more competitive and highly regulated. UCSF must compete in this market in order to achieve its goals.

Chancellor Desmond-Hellmann reported that the campus' expenses, driven by personnel costs, seismic upgrades, and market forces, were rising faster than revenues. Without a change in business model, a projection using a compound annual growth rate of three percent in revenues and five percent in expenses shows expenses exceeding revenues by 2015, which she characterized as unacceptable.

Discussing ways to address this projected gap between expenses and revenues, the Chancellor stated that operating at a deficit after 2015 would diminish UCSF's excellence, reputation, and standing. While the University appropriately focuses systemwide on State funding and tuition, and those sources of funding were also important for UCSF to fund its educational mission and core administration, tuition makes up only one percent of UCSF's revenues. While a high-tuition, high-aid model might work for campuses with large undergraduate populations, such a model would not be viable for UCSF.

Chancellor Desmond-Hellmann displayed a graph showing that the yield rate among students offered positions at UCSF School of Medicine had been above 50 percent from 2005-08, but had declined to just below 50 percent in 2011. She expressed concern that 75 percent of the highly talented and widely recruited underrepresented minority students who did not accept UCSF's offer of admission stated that the reason was cost or the amount of debt they would incur. She said that UCSF wants to be successful in recruiting such students, and expressed concern that students could be deterred from working in low-paying jobs such as in global health sciences or serving low-income communities because of high medical school debt.

Chancellor Desmond-Hellmann stated that she and her leadership team considered, and decided against, lowering their ambitions for UCSF, given current fiscal realities. UCSF must make changes to its business model that would enable it to address financial challenges, succeed in its competitive environment, and reach its aspirations to preeminence. After exploring many alternatives, UCSF's leadership team determined that, although its operational excellence program was anticipated to yield \$50 million annually by 2014-15, the campus must generate new revenues. UCSF was also reexamining its relationship with the UC system, particularly reviewing with the Office of the President a way for UCSF to pay for the system services it uses, such as UC Health, legal, and other services, along with its contribution to Presidential initiatives. She conveyed concern about UCSF's participation in general systemwide tax models that might, in part, be used to replace diminishing State funds. She stated that, since UCSF operates in a highly competitive and volatile environment, it did not have the flexibility to absorb new general taxation and remain competitive. UCSF was also interested in exploring alternative governance models. Since it operates under a unique, intensely competitive business model, the campus would like to operate in a way that maximized flexibility and its ability to benefit from expertise in the field, and allowed it to respond to its external environment.

UCSF's leadership teams would look at ways to leverage the innovation that happens within the University into new business models that could both generate revenues and add value in its complex health care environment. The Chancellor's team had also examined creative company or technology investment opportunities with full partnership models that could be gated on success or milestones, as well as new clinical models that could take advantage of UCSF's clinical excellence. New models for managing intellectual property and technology transfer, including new incentive models, could be evaluated. She expressed her opinion that, while these new models were entrepreneurial and not risk-free, their positive potential was enormous.

Chancellor Desmond-Hellmann proposed an examination of UCSF's total financial relationship with the UC system and an exploration of alternative governance strategies. She specifically suggested the formation of a working group, with membership proposed by the Chancellor and approved by President Yudof and Chairman Lansing, charged with assessing and developing a pilot program that addressed UCSF's financial relationship with the UC system and its governance. The working group would develop recommendations, respecting both the public nature of UCSF's mission and the

importance of its accountability to the Regents and the State of California, for presentation at a future Regents meeting.

In response to a question concerning a possible alternate governance structure from Committee Chair Reiss, Chancellor Desmond-Hellmann noted the structure of the National Laboratories with their own boards that report back to the Regents through the Chair of the Committee on Oversight of the Department of Energy Laboratories. She also pointed out that Hastings College of the Law has a unique operational system that is not overseen by the Regents, although Hastings does participate in UC's benefit and pension systems, and has an auditing function through the Office of the President.

In response to a further question from Committee Chair Reiss, Chancellor Desmond-Hellmann stated that her proposal would not lead to privatization of UCSF. She affirmed that, throughout discussions at UCSF regarding these issues, all elements of the campus were deeply committed to UCSF's public mission. She emphasized that UCSF could not aspire to achieve its ambitions without money.

Regent Gould asked what the effect of national health care reform would be on UCSF's finances and for clarification of Chancellor Desmond-Hellmann's remarks about taxation. Mr. Laret expressed his view that, in spite of its many positive aspects, health care reform would have an overall negative effect on UCSF's financial performance. Cuts in MediCare payments to UCSF could be as much as \$25 million per year. The move to health care exchanges in 2014 might result in companies moving away from offering health insurance to employees, but instead offering an amount of money for purchasing health insurance on the exchange; this could have a detrimental effect on UCSF. Chancellor Desmond-Hellmann stated that she recommended an assessment of all aspects of UCSF's financials. Senior Vice Chancellor John Plotts clarified that such an assessment would be a very comprehensive look at all aspects of the relationship between UCSF and the rest of the UC system. He acknowledged that the campus must pay for services the UC system provides and Presidential initiatives; however, UCSF must make investments in a very competitive business environment in order to maintain its excellence in a way that does not compromise its aspirations. The proposed working group would examine the balance between these two elements in a holistic way.

Regent Kieffer asked what benefit UCSF would seek from a different structure, such as operating under a separate board, that it did not have under the existing governance. Chancellor Desmond-Hellmann clarified that UCSF's accountability to the Regents would not change. She envisioned a separate board that would understand UCSF's unique business models, external forces in the health care field, details of technology transfer, industry trends, and would hold UCSF accountable for performance goals and metrics. She gave the example of the existing UCSF Chancellor's Advisory Board's function, which, while only advisory in nature and with no governance responsibility, often suggests specific ideas to further UCSF's goals. Formalizing a board with governance responsibility would encourage a more detailed collaboration and accountability. Regent Kieffer asked if there were ways in which UCSF was currently restrained from acting, which a separate board could enable. Chancellor Desmond-

Hellmann cited the examples of development of partnerships with private industry and use of incentives relating to operational excellence, technology transfer, or other areas in which UCSF would attempt to drive new revenues. Regent Kieffer expressed his view that including individuals in the working group from organizations other than UCSF could improve the group's effectiveness. Chancellor Desmond-Hellmann responded that her team had reviewed Oregon Health and Science University, University of Virginia, University of Michigan, and the University of Florida Health Science Center to examine what structures have worked and not worked.

Staff Advisor Herbert asked about the robust talent management and retraining opportunities that UCSF had provided its staff concurrently with its drive for operational excellence. Chancellor Desmond-Hellmann acknowledged that the operational excellence program necessarily involved the prospect of job losses during a recession. She stated that much work had been done on staff development before she arrived at UCSF, including programs in mentorship and leadership development; she expressed her intention to do more for staff in the areas of retraining, new skills development, and the creation of job families to help employees build careers.

Regent Makarechian asked what factors were responsible for the increase in expenses at UCSF. Mr. Plotts responded that two main factors were the opening of the new UCSF Medical Center at Mission Bay planned for 2015 and, like all UC campuses, the dramatic rise in personnel costs driven by increased pension contributions. The employer contribution to pensions would increase from zero a few years prior to nearly 19 percent in 2017. This additional 19 percent of each personnel dollar would have to be found somewhere in UCSF's operating budget. He agreed with Regent Makarechian's assessment that the increased pension costs were unavoidable and must be accounted for in UCSF and the other campuses' plans.

Chairman Lansing expressed her view that this process should proceed to the next step and encouraged Chancellor Desmond-Hellmann to form a small working group.

The meeting adjourned at 2:00 p.m.

Attest:

Secretary and Chief of Staff