

# **THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

January 24, 2018

A special meeting of the Regents of the University of California was held on the above date at Mission Bay Conference Center, San Francisco.

Members present: Regents Anguiano, Blum, De La Peña, Elliott, Guber, Kieffer, Lansing, Lemus, Makarechian, Mancina, Monge, Napolitano, Newsom, Ortiz Oakley, Park, Pérez, Sherman, Tauscher, Torlakson, Varner, and Zettel

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Vice Presidents Brown and Budil, Chancellors Block, Blumenthal, Christ, Gillman, Hawgood, Khosla, Leland, May, and Wilcox, and Recording Secretaries Johns and McCarthy

The meeting convened at 4:10 p.m. with Chair Kieffer presiding.

## **APPROVAL OF THE UNIVERSITY OF CALIFORNIA 2018-19 BUDGET FOR CURRENT OPERATIONS, TUITION, AND FINANCIAL AID, AND ADJUSTMENT OF THE EMPLOYER CONTRIBUTION TO THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN**

Contingent upon approval by the Finance and Capital Strategies Committee, the President of the University recommended that the Regents:

1. Approve the budget plan included in the document *2018-19 Budget for Current Operations* and shown in Attachment 1.
2. Approve the adjustments in student charges shown in Display 1, to be effective with the 2018-19 academic year.
3. Authorize the President to assess mandatory systemwide charges below the amounts shown in Display 1 if the State provides additional permanent funding to buy out some or all of the proposed increase in student tuition and fees.
4. Rescind the prior Regents' approval in the July 2017 action, *Authorization to Increase the University Employer Contribution Rate and Make Additional Contributions to the University of California Retirement Plan*, to increase the University's contribution rate for the Campus and Medical Centers segment of the University of California Retirement Plan ("UCRP" or "Plan"), effective July 1, 2018, to 15 percent (from 14 percent) for all member classes and tiers, other than Tier Two and 7.5 percent (from seven percent) for Tier Two members.<sup>1</sup>

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<sup>1</sup> The UCRP member class known as "Tier Two" is a frozen group. As of July 1, 2017, it had three active members.

5. Rescind an increase in the employer assessment to seven percent (from six percent) for Savings Choice Participants in the Defined Contribution Plan, also approved by the Regents in the July 2017 action.

**DISPLAY 1: Proposed Maximum Increases to Student Charges<sup>1</sup>**

	2017-18 Charges	Proposed Adjustment	Proposed % Change	Charges Effective 2018-19
<b>Tuition (Undergraduate and Graduate)</b>				
Tuition Base Rate	\$11,442	\$348	3.0%	\$11,790
Tuition Surcharge <sup>2</sup>	\$60	- \$60	- 100%	\$0
Total	\$11,502	\$288	2.5%	\$11,790
<b>Student Services Fee</b>				
Undergraduate and Graduate	\$1,128	\$54	4.8%	\$1,182
<b>Total Mandatory Systemwide Charges (Tuition and Student Services Fee)</b>				
Undergraduate and Graduate	\$12,630	\$342	2.7%	\$12,972
<b>Nonresident Supplementation Tuition</b>				
Undergraduate	\$28,014	\$978	3.5%	\$28,992

<sup>1</sup> Charges are effective the summer term preceding the academic year indicated – e.g., summer 2018 for 2018-19.

<sup>2</sup> Surcharge to cover costs associated with the *Luquetta v. Regents* class action lawsuit.

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

President Napolitano remarked that, after discussing the situation with Chair Kieffer and legislators, and listening to students at public comment, she thought the Regents would be better advised to defer voting on this item until the May meeting, with the proviso that the portion of the item relating to nonresident tuition may be considered at their March meeting. This would provide the University time to make its case to the Legislature. The University's need for funding would be demonstrated by the presentation from UC chancellors. The delay was not ideal logistically, but the President was advised that sufficient notice could be given to students regarding the timing of tuition and financial aid. The Office of the President (UCOP) would work with the campuses to identify and possibly mitigate any specific campus needs resulting from the delay. She expressed her view that the University needed to show that it had done everything possible to address this situation. She reminded the Board that three-quarters of the funding for the increase in UC enrollment for 2018-19 would come from cuts to the UCOP budget and some programs that it administers. She suggested accepting the invitation of the students to advocate together for funding for UC.

Chair Kieffer added that the Regents would hear the full presentation for this item at this meeting. He asked that Regents submit any questions about the budget. Chair Kieffer expressed appreciation for students' thoughtful approach to this issue.

Regent Pérez moved that consideration of this item be deferred until May, with consideration of nonresident supplemental tuition to be considered at either the March or May meeting, at the discretion of the President of the University. The motion carried unanimously.

Executive Vice President and Chief Financial Officer Brostrom stated that UC's priorities for its 2018-19 budget plan were to increase access for California residents, to enhance the quality of education for all UC students, and to ensure UC accessibility and affordability for all Californians. The University planned to admit an additional 2,000 undergraduate California residents and 500 graduate students, provided it received sufficient funding to support those students. The University had already submitted a proposal under AB 97 from the current budget year that would redirect \$15 million of UC's current permanent funding to support enrollment growth of 1,500 undergraduate students. However, UC looked forward to working with the Legislature and the Governor for an additional \$10 million in the budget to support 500 additional undergraduates and 500 graduate students across all of UC's campuses.

Mr. Brostrom noted that enhancing UC educational quality included improving the student-faculty ratio, supporting new faculty, enhancing graduate student support, and investing in both deferred maintenance and instructional technology at all campuses. He stressed that the University would ensure that any tuition increase would not undermine affordability. Of UC undergraduates, 56 percent currently paid no tuition and 16 percent paid partial tuition. The proposed increase would follow the same pattern. Financial aid generated by the tuition increase would more than cover the increase for 100,000 or more than half of UC's California resident undergraduates. These students would have increased financial aid to help cover the other costs of their education. Because of the Middle Class Scholarship Program, currently fully implemented, only students from families with annual incomes above \$165,000 would pay the full increase of \$348.

The proposed budget would continue the trajectory of the past several years during which UC campuses have expanded enrollment significantly after years of flat enrollment during the recession. Increased enrollment required increased investment in these students' education and life on campus. In addition to UC's request through the legislative budget process for enrollment funding, UC's budget prioritized additional funding for deferred maintenance, currently a multi-billion-dollar liability systemwide. Mr. Brostrom displayed a slide showing that UC's annual per-student spending, adjusted for inflation, decreased almost 25 percent from 1990-91 to 2016-17. In addition, funding shifted from State funds to a greater reliance on student tuition. In 1990-91, including Cal Grants, the State covered 80 percent of per-student expenditures; in 2016-17, the State covered less than 50 percent of a UC education, again including Cal Grants.

A summary of the 2018-19 budget plan showed a gap, even with the proposed tuition increase. There were no additional funds for enrollment growth beyond the \$15 million already identified. No enrollment growth for 2019-20 was projected or funded. It had been a positive development that the Legislature had previously funded UC enrollment growth a year in advance, so UC campuses could plan how many students they could accommodate. Finally, no funding was provided for deferred maintenance, which UC had targeted as a one-time \$35 million investment. In addition, UC had a positive funding framework with the Governor through which the University received one-time Proposition Two funds to support the unfunded liability in the UC Retirement Plan (UCRP) and the current year would be the last year of that funding. Based on the framework

agreement with the Governor, UC had anticipated a four percent base budget increase, as it had received the prior three years. However, the Governor's budget reduced that to three percent. In order to accommodate that decrease, UC was considering maintaining the employer UCRP contribution at 14 percent, which would reverse the increase to 15 percent approved by the Regents in July 2017, which was to be effective in July 2018. Mr. Brostrom expressed UC's view that UCRP's 85 percent funding ratio and its capacity for more internal borrowing would be sufficient, noting that UCRP was expected to reach 90 percent funding in five years. Mr. Brostrom characterized the proposed rescission of the Regents' action to increase the employer UCRP contribution as a prudent and responsible response to the change in State funding.

The Governor's budget for both UCOP and the UCPath Center remained as direct appropriations and were held flat, reducing the actual overall increase to the University to 2.7 percent. This approach would present a particular problem for the UCPath Center, since three new UC locations came online with UCPath in the current month, with 11 more locations to come in the upcoming 18 months, including the remaining campuses, the Lawrence Berkeley National Laboratory, the Division of Agriculture and Natural Resources, and UC Hastings College of the Law. This would necessitate growth in the UCPath Center not contemplated in the current budget.

Chancellor Christ provided her perspective on the budget at UC Berkeley, emphasizing that the campus takes its financial responsibilities most seriously. The campus eliminated more than 500 administrative positions to reduce operating costs. The campus was developing new sources of income, including a fundraising campaign, and was doing its part with the financial mechanisms it controlled. However, even the most optimistic projections made clear that such efforts alone would not be sufficient to meet the needs and expectations of students and the public UC Berkeley serves.

Ms. Christ said that the proposed tuition increase for the 2018-19 academic year was critical for maintaining the quality of education at UC Berkeley. Since 2013-14, UC Berkeley had grown by 4,700 students, or 13 percent. Core funding for those students, including State funding and tuition net of financial aid averaged \$15,337, while the average cost of instruction was \$25,331. The campus was able to subsidize core tuition with nonresident tuition, but still had an average funding gap of \$5,500 per student. This imbalance was not sustainable and threatened UC Berkeley's academic and research excellence.

To meet the challenge of increasing enrollment without sufficient funding, UC Berkeley held its number of ladder-rank faculty flat, thereby increasing the student-faculty ratio from 23:1 to 26:1. Ms. Christ provided a concrete example of what this meant. The average lower division lecture size in UC Berkeley's Department of Electrical Engineering and Computer Science had increased from 65 students in 2012-13 to 227 students in 2016-17, and the number of students taught increased from 7,986 to 15,470. If the faculty had grown at the same rate as the teaching workload, the campus would have added more than 50 new computer science faculty. UC Berkeley had adjusted to such increasing demand through its temporary academic staff budget, the additional resources it gives to departments to hire more lecturers and graduate student instructors. Yet despite these expenditures, resources fell short. Introductory Chemistry, critical for all UC Berkeley's science, technology, engineering, and mathematics majors, could be expanded to meet demand if the campus had more funds. Lack of funds was creating severe overcrowding in

introductory and intermediate business and economics courses and many bottlenecks in engineering majors. The tuition increase would allow UC Berkeley to address these issues of overcrowding and unmet demand.

Ms. Christ explained that she holds office hours in the library every month and had been troubled by the number of students who had come with questions about basic instructional needs, asking her to add more sections and to reduce the size of classes. A tuition increase would directly fund core instruction and would alleviate these pressures faced by students. Freezing tuition and not allowing modest increases could actually add to students' cost of attendance. Enrollment growth was having the undesired effect of making it harder for many students to get the courses they need in the required sequence in a timely fashion, thus lengthening their time to degree, adding to cost of attendance because students must pay more semesters of tuition and more months of high Bay Area housing costs. Students receiving financial aid would not pay the tuition increase; it would be covered by their financial aid packages.

Ms. Christ commented that, at the same time, students' expectations were growing for what they saw as important support services that underpin their educational experience, such as advising, mental health services, campus safety improvements, and food security. These were critical. Graduate student support was also a significant and growing challenge to UC Berkeley. Graduate students are UC's future researchers, professors, and private sector leaders. The campus had cut graduate student fellowship block grants by three percent, or \$800,000, and had cut \$2.5 million from programs directly benefiting graduate students such as parent grants, summer program grants, and travel grants. Tuition increases would help fund these critical needs.

The Berkeley campus currently had a \$700 million deferred maintenance backlog. The Chancellor heard stories each week of emergency repairs necessitated by maintenance problems too long deferred, from exhaust systems to elevators. The Department of Chemistry was recently unable to recruit one of the world's leading chemists because, even with renovations, the laboratory intended for him could not be brought to a condition adequate for his needs. An assistant professor had to have her tenure clock extended because her laboratory was flooded due to a maintenance issue. Critical instructional space was not being renovated, classrooms needed to deal with enrollment growth were not being built, and existing technology was not being maintained.

Ms. Christ expressed her view that having small, predictable tuition increases was preferable both for families and for the campus to having a volatile pattern of repeated freezes followed by double-digit increases. Postponing the decision on the proposed tuition increase from this meeting until May would make it impossible for the campus to conduct strategic and wise financial planning. Students register for their classes at the beginning of March. The fall curricular program was being developed at the current time, but the campus would not be able to hire the instructors or staff the sections that students need, so students would be unable to get the program they need for timely progress toward their degrees. Families of students admitted to UC Berkeley would not know the cost of attendance and the campus would be hampered in recruiting students from out of state by the May 1 deadline for students to make their choices if they do not know how much a UC Berkeley degree would cost.

Chancellor Leland discussed the situation of UC Merced, which found itself in similar circumstances for different reasons. More than 72 percent of UC Merced students were the first in their families to attend college; more than 60 percent received Pell Grants; a majority participated in the Blue and Gold Opportunity Plan, which covered all UC system tuition. If a tuition increase were approved, 75 percent of UC Merced students would continue to be covered by the Blue and Gold Plan and most of the remaining students would have some reduction from the Middle Class Scholarship Program. Meanwhile, every UC Merced student would benefit from the new funds generated by the tuition increase, which would support the campus' core instructional mission.

Ms. Leland emphasized that 99 percent of UC Merced's undergraduates were from California and the remaining 600 students were almost all undocumented students. UC Merced did not have the benefits that some UC campuses have of using revenue from out-of-state tuition to support its California students. UC Merced was a very young campus. While its graduates, still early in their careers, and even its current students donated to its mission, the campus lacked a wealthy alumni base or grateful patients capable of significant financial support. UC Merced's endowment was meager in comparison with other UC campuses. UC Merced was just developing revenue-generating extended education programs. UC Merced's core budget was much more dependent on State funding and in-state tuition than any other UC campus. In fact, in the current fiscal year, those two sources accounted for 93 percent of UC Merced's core budget.

Over the past decade, UC Merced had become a national leader in enrollment, retention, and graduation of first-generation students. This success was largely the result of UC Merced's special learning environment that nurtures students' success. Through academic counselors, faculty interactions, and early intervention strategies UC Merced strived to provide a range of services to promote a successful college career for students who historically and nationally graduate at very low rates. UC Merced had and would continue to position itself as an academically competitive research university where students, regardless of their backgrounds, had the opportunity to work alongside recognized scholars in a supportive environment. The campus' challenge was to do so in the face of rapid enrollment growth in the current State funding environment.

Since UC Merced opened 13 years prior, the campus had faced a budget deficit, currently approximately \$18 million. UC Merced was able to keep its doors open during the Great Recession only because UCOP spared UC Merced from significant budget cuts and since that time had provided the campus with some funding for enrollment growth when the State had been unable or unwilling to do so. In addition, the dwindling State funding for academic and research buildings had burdened UC Merced with a significant debt load related to financing the facilities needed to grow this young campus. With nearly 8,000 students, UC Merced had grown sevenfold and was the fastest growing public research university in the nation. More families were recognizing the quality of the learning environment UC Merced provided. However, through her conversations with students and others, Chancellor Leland was acutely aware of the challenges that had accompanied the campus' rapid enrollment growth when there were insufficient funds to proportionately increase critical student support services and class availability. Growth had put a strain on the campus' ability to offer classes at the times and frequencies needed to ensure that students can graduate in four years and would result in higher costs to students and their families. Growth had also jeopardized UC Merced's ability to maintain and enhance critically important student support, retention, and counseling services. For example, UC Merced's academic advisor-

to-student ratio was well below the national average and the campus had struggled to provide sufficient counseling and other vital student support services.

To address these challenges, UC Merced was focusing on two strategic priorities: to enhance student support in critical areas of need, and to hire additional faculty to decrease students' time to degree and to fill gaps in UC Merced's academic program. The prior year, after a painful analysis, the campus readjusted its internal budget to enable an increase in staff support for students by redirecting funds obtained from new efficiencies and consolidating campus operations. Over the next two years, UC Merced would add more than 20 new student advisors, including specialized coordinators for degree planning, academic advisors, psychological counselors, and multicultural and transfer student support. However, to hire needed faculty to address instructional needs, the campus would require additional financial support, which would have been met by the proposed tuition increase or funding from the State. The additional faculty hires would help improve access to needed courses and to continue to fill curricular gaps at UC Merced. The campus was also expanding its graduate programs and that required faculty who could support its graduate and research program. Ms. Leland said she was committed, as was every other UC chancellor, to bringing in additional non-State philanthropic, business, and other non-tuition revenue to help fund the growth and excellence of UC Merced. However, none of UC's chancellors enjoyed significant budget flexibility, nor could they control cost increases resulting from inflation. All chancellors must continue to find funding for faculty and staff merit salary increases from already stressed budgets. The proposed modest tuition increase or State buyout of that increase was critical to UC Merced.

Associate Vice President David Alcocer discussed the relationship among tuition, financial aid, and UC affordability, which was the foremost concern in considerations of tuition levels. Since its founding, UC recognized that it was central to its mission to ensure that all students regardless of their financial resources could finance a UC education. Tuition was only one cost students and their families face when financing a UC education. The average annual total cost of attendance for a UC student living on campus in 2017-18 was \$34,700.

Regent Lansing expressed her strong view that it would be important that the Governor and the Legislature hear the concerns expressed by Chancellors Christ and Leland. UC had agreed to and was educating more California resident students, but no one was willing to pay for the additional enrollment. These extra students must be supported in order to provide them a UC-quality education. More continuous cuts would dangerously impair that quality. She asked how much a State buyout of the proposed tuition increase would cost. Mr. Brostrom said buying out the tuition increase would cost \$50 million. Regent Lansing expressed her view that, given the robust California economy, the Legislature and the Governor should buyout the tuition increase. Even though financial aid would cover the increase for many students, it would affect students from middle class families. She had received several letters from middle class families who could not afford to send two students to UC. Regent Lansing urged the Regents to work together with students and UC chancellors to have their message heard.

Regent Ortiz Oakley commented that enrollment growth without adequate funding was only part of the problem. He expressed his view that UC had lost the trust of the public, as represented by members of the Legislature. UC must address that problem for its arguments about tuition to be

heard. The fact that financial aid would cover an increase in tuition for many students was not resonating with the public. The Board should ask if its efforts were working and, if not, what it needed to do differently. Regent Ortiz Oakley agreed that UC needed more resources and the primary source should be the Legislature, before students were asked to pay more. Recent actions regarding the budget of the UC Office of the President were an indication of the loss of trust with the public. Actions by the Legislature to appropriate the budget of UCOP directly should alarm the Regents. The Regents should work with UC students to educate the public on the real needs of UC students and to advocate for more funding from the Legislature.

Regent Guber expressed empathy for UC students gained from his long years teaching them. These decisions should be made from both from the heart and reason. If California abandons the necessity of educating its population, political and business uproar would result. He was very aware of students' concerns.

Regent Pérez asked for clarification of the net value of the proposed tuition increase. Mr. Brostrom said the required offset from the State would be about \$50 million for in-state tuition and \$35 million for out-of-state tuition. Mr. Alcocer confirmed that \$135 million included the tuition revenue UC would get from enrollment growth, which would be separate from the tuition increase. Regent Pérez associated himself with the comments of Regent Ortiz Oakley. He expressed frustration with the way the Board discussed budgeting. It would be important that figures were discussed consistently so that progress could be made. The University faced an economic challenge as well as a need to increase the trust and confidence of the public, UC students, the Legislature, and the Governor. In recent years, every increase in State funding for UC has had conditions attached. Over time UC should work toward increased State funding that respects the autonomy of the University. Regent Pérez expressed concern about the Legislature's direct appropriation of the UCOP budget.

Regent Pérez asked if a \$50 million increase in State appropriation over the Governor's January proposed budget would eliminate the need for any tuition increase. Mr. Brostrom reminded him that there were other gaps in UC's budget: a \$10 million gap in enrollment growth for undergraduates and graduate students; a \$35 million gap for deferred maintenance; and no funding for 2019-20 enrollment growth. Regent Pérez stressed the need for clear figures and budget options, so the Regents could discuss the values involved in balancing various considerations. He asked that this conversation occur earlier in the year in the future, so that UC chancellors can plan with clear funding information.

Student Advisor Sands noted that most students did not support an increase in tuition or fees. However, he commented that students might answer differently if given the choice between a \$300 tuition increase and a reduction in the rankings of their UC campus, the need to attend for an extra quarter to complete their major, or the need to pay for a private tutor. He asked that the item requesting approval of the tuition increase include specific information about how the funds would be spent and how the quality of a UC education would be reduced absent the tuition increase. Mr. Sands also asked for clarification of the statement in the materials that more than one-half of UC's California resident students would not pay the tuition increase if the Cal Grants program were proportionately increased, when the prior year's request for approval of a tuition increase said that two-thirds of California resident students would not pay the increase. He also asked for



data indicating how many California resident students were actually affected by the prior year's tuition increase, compared with the projection that only one-third would pay the increase. Mr. Alcocer clarified that the current projection was that close to 60 percent of California resident students would have the proposed tuition increase covered by financial aid. That proportion is less than the prior year's two-thirds projection, because in 2018-19 the Middle Class Scholarship program would cover only a portion of the tuition increase.

Regent Blum commented that the Regents and UC chancellors have made many efforts over the years to communicate with the Legislature. He noted his familiarity with the problems facing UC campuses and stressed that the campuses would not be able not maintain their rankings if they are not properly funded.

Regent Monge recalled that although the prior year's action requesting a tuition increase promised increased funding for student mental health services, students were still waiting months to see mental health counselors. Students were still sitting in the aisles of classrooms because not enough course sections were offered. He questioned whether the promised two-thirds of California resident students were protected from paying the prior year's tuition increase. To make an informed decision about the current proposed tuition increase, the Regents should study the effect of the prior increase and if the promises of the prior increase were kept. Students would stand with the Regents to make a case to the Legislature.

Regent Mancina advocated creating a long-term stable collaborative approach, with the engagement of UC alumni.

Regent Lemus asked for clarification of the \$79 million UC Savings/Redirections in the 2018-19 budget plan summary. Mr. Brostrom said this figure involved internal UC asset management, which had been used effectively over the past eight years, primarily by moving excess liquidity from the Short Term Investment Pool (STIP) to the Total Return Investment Pool (TRIP). Since its inception in 2009, TRIP had averaged five percent higher annual returns than STIP. There was the capacity to move \$1 billion more from STIP to TRIP in the current year, which would yield \$30 million. Systemwide contracts currently had already added more than \$300 million in savings and were anticipated to generate another \$10 million. Philanthropy also contributed, although much was restricted. Also included were financial aid that previously went to non-resident students and \$15 million from the Budget Act of 2017 that would support enrollment growth.

Regent Lemus asked what other options for gains in efficiency had been considered. Mr. Brostrom enumerated several areas of revenue generation. Fiat Lux, UC's captive insurance company, could save premiums and generate excess revenues, which would benefit UC campuses and medical centers. UC campuses had explored revenue generation through, for example, banking arrangements, a preferred coffee vendor, and new apparel deals. Staff growth was a major area of expenditure. Increases in the student-faculty ratio had generated efficiencies, but in a negative way. UC campuses had been sacrificing in areas of student-faculty ratios, faculty workload, and faculty salaries in order to balance campus budgets. Over the past ten years, student enrollment increased three times as fast as general campus staff. Some efficiencies harm the quality of the University.

Regent Tauscher clarified that both UC students and Regents do not want an increase in tuition. However, the University was quite limited in its ability to balance its budget unless it found other revenue or received funding from the State. The Governor had urged UC to cut its budget rather than raise tuition. Cutting UC's budget could be part of a solution, but not all of the solution. She said the Regents must clarify a plan for action between the current time and May to arrive at a solution that would not include a tuition increase. She noted the energy of UC students, faculty, staff, and alumni.

Regent Makarechian pointed out that 56 percent of UC students, or 108,000 students, pay no tuition; 16 percent, or about 28,000 students, pay partial tuition. The 28 percent, or about 30,000 students, who pay full tuition have annual family incomes above \$180,000, roughly \$500 per day. The proposed tuition increase would be less than \$1 per day. While he did not necessarily support a tuition increase, it was not a great amount. In 1990-91 UC's average expenditure per student was \$24,410, of which \$19,100 came from State General Funds. By 2016-17 UC had reduced its average expenditure per student to \$18,780, of which only \$7,160 came from State General Funds. He also noted deferred maintenance problems on campuses, especially the older campuses such as UC Berkeley. His experience as Chair of the Committee on Ground and Buildings and the Finance and Capital Strategies Committee had shown him the reality of UC's financial needs. Regent Makarechian commented that the campuses had used every financial means available until UC Berkeley was at the limit of its debt capacity. He expressed his view that the Governor was aware of these figures.

Regent Anguiano advocated developing a more precise definition of academic quality. She expressed her view that considering only the student-faculty ratio can be insufficient and counterproductive to innovation, in that it would create an ever-increasing cost curve that could not be bent. She said that rankings were also an insufficient measure, as only half of the points involved academic quality. Regent Anguiano advocated UC's taking a leadership role in actually measuring what it means to improve student outcomes, learning objectives, and understanding cost differentials between very large and small class sizes. Gathering this data would help reestablish trust as anecdotal evidence was insufficient.

Regent Park commented on the importance of gaining an understanding of the actual budget and how UC engages in fulfilling budgetary needs and desires. She expressed concern about deliberations during the next period of economic recession, given the current level of concern about only a three percent tuition increase. She said it would be helpful to review in more detail past and future items in the budget. For instance, a three percent salary increase may not be appropriate for already highly paid administrators if it required a tuition increase. The Regents should consider what budget elements were productive.

Regent Newsom applauded the decision to delay the vote on the tuition increase, but expressed concern about campus challenges described by Chancellors Christ and Leland. He noted that identical concerns were raised in budget discussions the prior year and stated that the original cause was withering State support, which had to be addressed. Regent Newsom commented that the current Governor, in his capacity as a Regent, did not trust that the Regents were doing enough to address the University's cost structure. In addition the Governor warned of the likelihood of a future economic downturn for which the University must be prepared. Regent Newsom expressed

his view that there was a growing distrust even among the Regents, which should be dealt with honestly. He expressed confidence that the Regents could address the relationship with the State administration and the Legislature.

Chair Kieffer concluded this discussion by stating that this discussion had been ongoing since 1968-69. Each year there was a battle to fund UC, which did not have the lobbying forces in Sacramento of the prison guards and others. The issue of trust of institutions of higher education was national, and not unique to California. Efforts to convince legislators had been ongoing since 1980. The Governor has had a similar attitude to higher education since 1978. Newer members of the Board may not be aware of these longstanding issues that would continue. Both new perspectives and experience were important. Chair Kieffer said it would be important for the Regents to reach a common understanding of the needs of the University.

The meeting adjourned at 5:40 p.m.

Attest:

Secretary and Chief of Staff