

**PRESIDENT RICHARD C. ATKINSON
DISCUSSION TOPICS FOR THE MEETING OF
THE ASSEMBLY OF THE ACADEMIC SENATE
WEDNESDAY, MARCH 12, 2003**

1. BUDGET. The State is faced with a budget crisis of unprecedented magnitude. The governor estimates the shortfall is more than \$35 billion, part of which is one-time due to a decline in economic performance for the current year below budget projections, and part of which is permanent, or structural, representing an imbalance in the budget between revenues and expenditures on an ongoing basis. The governor's package of solutions proposes both one-time actions to deal with the current year shortfall as well as permanent reductions to address the ongoing structural imbalance between revenues and expenditures in the State's budget.

The Legislative Analyst's Office recently released the *Analysis of the 2003-04 Budget Bill*, in which she agrees that the governor's plan, if adopted in total, would address the current-year shortfall and eliminate the structural imbalance, resulting in a balanced budget. The governor's budget package includes a combination of program reductions, new revenue, fund shifts, transfers, and other actions to balance the budget. Some of the governor's proposals were released in December as part of a series of mid-year actions to be taken to help balance the budget. Further actions were announced in January with the release of his overall budget proposal.

Governor's Budget Proposals for UC

The 2003-04 Governor's Budget for the University proposes permanent targeted cuts and unallocated reductions (some of which are expected to be offset by student fee increases) on the negative side, and workload funding for enrollment increases on the positive side. A portion of the targeted cuts were implemented through the mid-year budget reductions approved by The Regents at the special December meeting of the Board and allocated to the campuses in January. Significant additional cuts are proposed for 2003-04.

In total, the 2003-04 budget will include \$373 million in mid-year and budget-year reductions to the base budget, compared to the 2002-03 budget adopted by the governor and the Legislature in September. The governor's plan assumes \$179 million of these reductions will be offset by student fee increases, which means the net budget cuts will total just under \$200 million. These cuts are equivalent to a reduction of a little over 6 percent to the University's base budget; but because instructional programs are protected from cuts, targeted reductions will actually amount to 20 percent, 30 percent, and even 50 percent in some cases, of specific program budgets. There are also increases provided in the University's budget to reflect workload growth.

Table 1 shows the changes to the University's budget as proposed by the governor. The figure at the top of the display is the 2002-03 State General Fund base budget including all cuts that were enacted as part of the 2002 Budget Act signed last September, but before the mid-year cuts proposed by the governor three months later. The remaining text includes references to the mid-year cuts proposed by the governor in December. The figures to the right display the total permanent cut proposed for 2003-04.

The reductions are spread across every area of the University's budget, although a priority was maintained for instruction. Reductions that otherwise would have been targeted at instructional programs were offset by student fee increases in the current year and are proposed to be offset by further student fee increases in 2003-04.

In many other areas, however, the cuts range from 20 percent to 50 percent, and in one case—the California Subject Matter Projects—amount to virtual elimination of the program.

Table 1

University of California 2003-04 Governor's Budget (\$ in millions)	
2002-03 State General Fund Budget per State Budget Act Prior to 2002-03 Mid-Year Reductions	\$ 3,220.9
2002-03 Mid-Year Cuts Plus Additional Cuts Proposed for 2003-04	
AP Online (mid-year reduction of \$4 million based on savings from prior years; 2003-04 includes permanent reduction of \$4.4 million)	-4.4
Research (mid-year reduction of \$18 million based on savings from prior years; 2003-04 includes permanent reduction of \$28.8 million)	-28.8
Outreach (mid-year reduction of \$3.3 million grows to \$33.3 million in 2003-04)	-33.3
California Subject Matter Projects (no mid-year cut)	-15.0
Other Public Service (mid-year reduction of \$2.5 million grows to \$15 million in 2003-04)	-15.0
K-12 Internet (mid-year reduction of \$1.1 million stays at \$1.1 million in 2003-04)	-1.1
Academic Support and Institutional Support (mid-year reduction of \$20 million grows to \$36.5 million in 2003-04)	-36.5
Student Services (mid-year reduction of \$6.3 million grows to \$25.3 million in 2003-04)	-25.3
<i>Unallocated Reductions</i>	
Mid-year reduction of \$19 million grows to \$179.1 million in 20-03-04 to be offset by student fee increases	-179.1
Additional unallocated reduction for 2003-04	-34.8
Subtotal, Base Budget Reductions	\$ -373.3
Other Actions	
Partnership Funding Provided	
Enrollment of 13,000 FTE students funded at the agreed-upon marginal cost	\$ 117.2
Start up funds needed to open the Merced campus by 2004-05	11.3
Health benefits for annuitants	16.1
Lease purchase payments	27.4
Other one-time adjustments	-6.6
Partnership Funding Not Provided	
4% increase to the base (\$126 million requested)	0
1% increase to the base for core needs (\$31.5 million requested)	0
Restoration of one-time reduction for core needs (\$29 million requested)	0
Total Governor's Proposed State General Fund Budget for 2003-04	\$ 3,013.0

In the area of research, the proposed reduction of 10 percent is in addition to the 10 percent by which these programs were already reduced in the current year and on top of the 20 percent reduction to these programs during the cuts of the early 1990s.

Cuts in other areas of the budget are also very deep. They will mean closure of some programs and dramatic reductions in others:

- Some Cooperative Extension centers will be closed;
- Services to students will be reduced at the same time student fees are increasing dramatically;
- Administrative functions—which most of our campuses believe are already woefully inadequate in meeting requirements—will be cut back, just at the time when demand associated with enrollment growth is increasing; and
- The University's California Subject Matter Projects, which help improve the professional development of K-12 teachers, will be severely curtailed. This is on top of elimination of all State funding for the California Professional Development Institutes in the current year.

It is important to note that these cuts will have serious consequences for the University's employees. For example, if all the cuts were to be taken through layoffs, it is estimated it would be the equivalent of about 3,000 FTE employees.

Consistent with Executive Orders from the governor, the University has instituted hiring restrictions, except that in keeping with the governor's instructions, the University has excluded from the restrictions positions needed to maintain the instructional program and to provide certain specialized skills. Given the magnitude of the proposed reductions, it is anticipated there will be layoffs, although it is difficult to estimate the number this early in the process. In addition, the University is considering a range of other options, including voluntary work furloughs, deferring purchases of equipment, library books, and other materials, and other cost-saving measures in non-personnel-related areas of the budget. As a last resort, pay reductions and mandatory work furloughs may need to be considered. Taking many of these actions to address the cuts is unavoidable.

The Governor's Budget anticipates that student fee increases will also be part of the solution the University uses to address budget cuts. The Regents have already approved a \$405 student fee increase of which one-third, \$135, will be implemented in Spring 2003. For 2003-04, the Governor's Budget assumes The Regents will once again act to increase student fees to offset an unallocated reduction, which grows to \$179 million in 2003-04. Again, student fee increases will be necessary in order to protect the core instructional program from budget cuts.

These increases will raise undergraduate student fees by \$1,200, or 35 percent, over an 18-month period. Fees for graduate and professional school students will also rise by 35 percent over the same period. Student fee increases are necessary to protect quality and access and must be one part of a balanced package to address the University's budget shortfall.

Financial aid will be increased consistent with the University's policy of returning at least one-third of the revenue derived from fee increases to financial aid to provide grants for the neediest students. The Governor's Budget also proposes a funding increase for the statewide Cal Grant Program to provide sufficient funds to cover fee increases for eligible students. Any student currently receiving a grant will have his or her fee increase covered, either through Cal Grants or through grants provided by the University. On average, a financially needy student from a family with an annual income up to \$60,000 will receive a grant to cover the fee increase.

The University believes very deeply in the need to preserve access. We have been, and remain, strongly committed to the Master Plan and will find a place in the University for every eligible student who wishes to attend. This is consistent with the governor's plan for the University. The 2003-04 budget assumes enrollment growth of 13,000 FTE students for 2003-04, which includes recognition of the significant over-enrollment experienced in the current year, and proposes sufficient dollars to fully fund this projected enrollment growth.

The University's Partnership is Underfunded by Nearly \$1Billion as a Result of the State's Fiscal Crisis

As shown in Table 2, with the 2003-04 budget, the Partnership will be underfunded by over \$420 million for salary, employee benefits, and other cost increases. In addition, the University will have sustained over \$530 million in budget reductions. The combined total shortfall will be nearly \$1 billion by 2003-04. This means that while the University would expect to have a \$4 billion State-funded budget under the Partnership agreement, it will now be about \$3 billion.

Table 2

University of California Unfunded Partnership Funds 2001-02, 2002-03, 2003-04 Budgets	
<i>Year</i>	<i>Amount Unfunded (\$ in millions)</i>
2001-02 Partnership Underfunding	\$ 90.0
2002-03 Partnership Underfunding	147.0
2002-03 Base Budget Reductions Contained in Budget Act Prior to Mid-Year Reductions	160.0
2002-03 Mid-Year Reductions	74.2
2003-04 Proposed Base Budget Reductions	299.1
2003-04 Proposed Partnership Underfunding	<u>186.5</u>
Total Unfunded Partnership—2001-02 through 2003-04	\$ 956.8

By way of further illustrating the magnitude of the shortfall, the University's enrollments will have grown by nearly 18 percent over a three-year period, yet our State-funded budget will have declined by almost 6 percent. We face the very challenging task of accommodating perhaps the most sustained period of dramatic enrollment growth in the University's history during one of the worst economic downturns in the State's history.

The rate of enrollment growth the University is currently experiencing is unprecedented. It means the University must hire thousands of faculty and provide facilities while maintaining the quality of its programs. The Regents have stated that the preservation of quality is the University's highest priority, even in difficult fiscal times, for it is the quality of the University to which our faculty and students are ultimately attracted. Decisions made now to address this current fiscal crisis will affect the University for decades to come. The University intends to work together with the Legislature and the governor to ensure that decisions regarding funding for the University do not lead us to a compromise in quality from which we can never recover.

Capital Outlay

The Governor's Budget proposes \$310.5 million in general obligation bond funding for 2003-04. This is consistent with the bond measure approved by voters in November 2002. The University is working with the Department of Finance to identify UC projects that could be included in the governor's economic stimulus package, which could speed up construction of eligible facilities.

2. CLASSIFICATION BY RACE, ETHNICITY, COLOR, OR NATIONAL ORIGIN

INITIATIVE. The Classification by Race, Ethnicity, Color, or National Original (CRECNO) initiative (formerly known as the "Racial Privacy Initiative") would prohibit the State and other public entities—including the University of California—from classifying any individuals by race, ethnicity, color, or national original in the operation of any state program. The initiative would permit action that must be taken to comply with federal law, or to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the State, and for "medical research subjects and patients." The initiative, a proposed amendment to the California Constitution, has qualified for the March 2004 primary election ballot.

UC currently collects socioeconomic data, including racial and ethnic data, in order to full its mission. Research, admissions, employment, and contracting practices all rely on this data. The Office of the President and the Office of General Counsel are currently conducting analyses on the impact and applicability of CRECNO, should it pass, on the University's research and other operations. In January, the Academic Council voted unanimously to oppose the initiative and call upon The Regents to oppose it. The Regents will likely discuss this issue at their May meeting.

3. LOS ALAMOS NATIONAL LABORATORY. Much attention has been given recently to problems in the business practices of the Los Alamos National Laboratory. Since learning of these problems, UC has initiated aggressive action to make the necessary corrections. UC is determined to take the steps required to ensure that the business practices of all the UC-managed laboratories are of the same high quality as the scientific and technical programs at the laboratories. The University is making significant progress.

Lab Personnel Changes

Several changes have been made in the on-site lab management:

- The appointment of an interim lab director, retired Vice Admiral George P. "Pete" Nanos, following the resignations of Director John Browne and Principal Deputy Director Joseph Salgado.
- Reassignments of senior personnel and organizational changes, including direct reporting to UC senior officials of lab functions related to audits and assessments, security inquiries, and business management, including budgeting, accounting and systems, property management, procurement, and shipping and receiving.
- The reinstatement of Los Alamos investigators Glenn Walp and Steven Doran together with meetings between them and UC officials to learn first-hand about their allegations and the circumstances surrounding their dismissals.

UC Governance Changes

UC has taken a number of steps to strengthen its oversight of the national labs. These include:

- The appointment of long-time senior administrator Bruce B. Darling, Senior Vice President for University Affairs, as Interim Vice President for Laboratory Management.
- The appointment of Robert Kuckuck, former Acting Principal Deputy Administrator at the National Nuclear Security Administration, as a senior UC advisor.
- The formation of an oversight board to help guide Interim Director Nanos on general laboratory management issues. The panel consists of three members of the UC Board of Regents—Richard C. Blum, Gerald Parsky and Peter Preuss; UC San Diego chancellor Robert Dynes, a physicist; and Sidney D. Drell, a Stanford University professor emeritus of physics and a noted arms control advisor.

Progress on Identifying Problems

UC continues to work to identify problems in business and security practices at Los Alamos. Key areas subject to review include, but are not limited to, allegations about the inappropriate use of purchase cards, criminal activities related to the lab's purchasing system, and improper property management.

Hotline Activated for Employee Concerns

In addition to reaffirming to lab employees UC's interest in receiving information about any suspected improprieties and informing them of avenues available to make a report, UC has added the Los Alamos and Livermore National Laboratories to the University of California AlertLine Ethics and Compliance Hotline. The service, operated independently by the Pinkerton company, assures confidentiality and acts as an intermediary for the institution. Callers need not identify themselves but can receive information on the status of reported matters through the use of an assigned case number. The Lawrence Berkeley Laboratory has a comparable service operated by an independent agency.

The University of California is proud of its 60-year partnership with the federal government in the interest of science and national security. The laboratories' contributions to our nation are particularly important at this critical moment in international affairs. Some recent examples include:

- A biological detection system developed by the Los Alamos and Livermore laboratories is at the ready for deployment at sites and events nationwide as part of the homeland security effort.
- Lawrence Berkeley Laboratory researchers are key partners in a program to help Oakland businesses and residents become more energy efficient.
- The UC Institute on Global Conflict and Cooperation, a statewide research center for international affairs at UC San Diego, uses interdisciplinary seminars, policy workshops, and internships at the Livermore and Los Alamos laboratories as part of the training of graduate students, who will be the next generation of policymakers, scholars, and international security analysts to deal with the continuing worldwide nuclear threat.
- Two Lawrence Berkeley Laboratory technologies have been recognized for their impact on society. The first technology is the extreme ultraviolet lithography tool—a joint effort by the Berkeley and Livermore labs, and the Sandia National Laboratory—which permits printing smaller computer chip features, enhancing computer capabilities and speed. The second is VISTA, a user-friendly computer program that allows researchers to quickly

- compare the genomes of various organisms.
- A system operated by the Los Alamos National Laboratory and used to “listen” for clandestine nuclear tests has played a key role in helping scientists more accurately determine how often Earth is hammered by giant meteors like the one that flattened 1,200 square miles of forest in Russia in 1908. Based on this technology scientists now have evidence that catastrophic meteor strikes occur less frequently than previously believed—about every thousand years instead of every 200 to 300 years.

UC will continue working with Congress, the Department of Energy, and all other interested parties to resolve the issues that have been raised and to maximize the effectiveness of UC management of the laboratories.

4. UNDERGRADUATE ADMISSIONS (FALL 2003) AND ENROLLMENT (FALL 2002).

For Fall 2003 all campuses experienced significant growth in applications. Overall applications increased 5.2 percent (from 95,014 to 99,991), which represents a 4.7-percent increase (from 73,468 to 76,931) at the freshman level and 7.0 percent (from 21,546 to 23,060) at the transfer level. The overall two-year growth from 2001-2003 was 8.2 percent for freshmen and 10.7 percent for transfer applications. UC received a record 68.4 percent of Fall 2003 applications via Pathways, the University’s electronic application system; this outcome paves the way for further use of technology in future admissions cycles.

For Fall 2002, 29,916 California resident freshman students enrolled at the University of California, a 4.2-percent increase over Fall 2001 and a 18.7-percent increase over Fall 2000. At the transfer level, 10,820 California resident transfer students enrolled at UC, a 2.8-percent increase over Fall 2001 and an 11.4-percent increase over Fall 2000. Overall, enrollment figures for 2002 indicate a 3.9-percent increase to 40,736 new students.

5. STATE AUDIT ON ACCOUNTABILITY MEASURES IN PARTNERSHIP WITH GOVERNOR.

In September 2001, the Bureau of State Audits (BSA) initiated an audit to determine if the University of California is meeting the goals described in the 2000 Partnership Agreement with the governor. The audit was conducted at the request of Assembly Member Jenny Oropeza, acting on behalf of the American Federation of Teachers (AFT), which represents UC lecturers.

After months of careful review the BSA did not find reason to question UC's expenditure of State funds. While the Bureau would have preferred to see more quantifiable measures included in the Partnership Agreement, it made note of a number of UC’s accomplishments. However, it also made some recommendations for improvement. In its initial response to the report, the University concurred with the general intent of the Bureau’s recommendations—including the importance of accountability—and volunteered to take specific actions to address areas of concern identified in the report.

In the past six months, the State’s fiscal crisis has affected UC’s approach to implementing some of the report’s recommendations. Although the University initially indicated that it would be reallocating \$10 million from administration to instruction, the very significant cuts that UC is now facing mean that this priority may have to be achieved differently. UC has been able, up to now, to protect instruction in allocating cuts to the campuses by targeting administration and

other functions outside instruction, and it intends to continue to do so. This targeting will accomplish the reallocation of funds. However, UC's ability to sustain this priority depends on the decisions the Legislature and the governor make in the budget process this spring.

With respect to the Bureau's recommendations related to reporting faculty instructional activity, specific actions have been taken to improve the University's annual report to the Legislature on *Undergraduate Instruction and Faculty Teaching Activity*. In consultation with the chair of the Academic Council, I have appointed a *Universitywide Task Force on Faculty Instructional Activities*, chaired by Provost C. Judson King. Its membership consists of 14 experienced faculty members, several of whom are also executive vice chancellors, undergraduate or college deans, and members of the key systemwide Academic Senate committees with purview over educational policy and academic personnel. The task force's report will address the Bureau's recommendations regarding clarifying the definitions of primary courses and independent study, ensuring that campuses consistently interpret those definitions, reviewing the existing classifications of courses, and describing the impact of UC Berkeley's data on the Universitywide ratio. In addition, the task force is examining methods by which other universities define and report faculty instructional activities and identifying other ways to describe faculty efforts more clearly and appropriately to the Legislature.

All eight general campuses have instituted or expanded freshman seminar programs and are offering more than 400 new courses in 2002-03, putting us well on our way to achieving the 1,000 additional undergraduate classes I asked the campuses to institute over the next two years. It is clear that the University's faculty appreciates not only the importance of addressing the Bureau's recommendations in a timely manner, but also the value of increased attention to undergraduate instruction.

6. FACULTY HIRING AND GENDER EQUITY. On November 6-7, 2002, UC hosted the President's Summit on Faculty Gender Equity, a meeting of senior women faculty and administrators from all ten campuses. The Summit included opening remarks by Chancellor Greenwood and a keynote address by State Senator Jackie Speier, and provided a platform for discussion and recommendations towards addressing gender equity among faculty at UC. In February 2003, the chancellors received a report of the Summit proceedings along with a request to make gender equity a campus priority and to engage their Academic Senates in a partnership to develop effective solutions for our future. One recommendation from the Summit was for each campus to hold a follow-up meeting to discuss Summit findings and recommendations that can be implemented at the campus level. Information about the Summit and the Report of the Summit can be found at: <http://www.ucop.edu/pressummit/>. The report from the Summit has been transmitted to Academic Council Chair Binion with a request for comments from the Academic Council.

Also in November 2002, UC submitted an additional report to the Bureau of State Audits (BSA) in response to the BSA report on faculty hiring issued in May 2001. The UC report detailed the initiatives undertaken by each campus in response to each of the recommendations in the BSA report. The report also emphasized the importance of leadership on these issues by academic administrators on the campuses and at UCOP.

On February 19, 2003, President Atkinson and UC faculty testified at the third hearing on faculty

hiring and gender equity that was held before the Senate Select Committee on Government Oversight. In the first year after the audit was initiated, the rate of hiring women faculty systemwide increased from 25 to 30 percent overall and the rate of hiring women assistant professors increased from 27 to 37 percent. In the second (and most recent) year, the rate of hiring women faculty systemwide continued to rise to 31.2 percent overall. However, the rate of hiring women assistant professors dropped to 34.5 percent. In spite of the increases in recent years, UC still has not returned to the level of hiring women faculty that existed prior to the passage of the UC Regents' Resolution SP-2 in 1995 and Proposition 209 in 1996. There is an urgent need for continued attention to faculty hiring and recruitment procedures to ensure the full participation of women among UC faculty and academic administration.

Data on UC faculty hiring by campus and by gender can be found at:

<http://www.ucop.edu/acadadv/datamgmt/napp8402s.pdf>

The systemwide Affirmative Action Guidelines for Recruitment and Retention of Faculty can be found at: <http://www.ucop.edu/acadadv/fgsaa/affirmative.html>

7. GREEN BUILDING POLICY/CLEAN ENERGY. The Green Building Policy and Clean Energy Standard Steering Committee was formed in December 2002 in response to Regent Dexter Ligot-Gordon's request for a feasibility study and policy statement recommendations regarding green building design and clean energy. The Regents adopted the resolution for the study and policy statement recommendations in January 2003.

The steering committee is chaired by Senior Vice President Joseph Mullinix and is comprised of faculty members, key state government officials, and campus and Office of the President representatives from facilities operations, design and construction, budget, and administration. The steering committee is supported by UCOP staff and consultants who will perform the detailed analyses required and prepare the feasibility report and policy recommendations.

The steering committee has met three times and plans to meet once more to finalize the feasibility study and policy recommendations. A recent meeting of the committee included a forum for campus student representatives to express their views on the subject of green buildings and clean energy. The policy recommendations will be presented at the May 2003 Regents' meeting.

8. LIBRARY INITIATIVES. The California Digital Library (CDL), in partnership with the ten UC campuses, continues to strengthen its role in the University's strategy to apply innovative technology to managing scholarly information. Complementing UC's physical libraries, the CDL provides leadership to the campus libraries in their application of technology to the acquisition and stewardship of scholarly knowledge in all formats, and joins with researchers in developing innovations for scholarly communication. Recent milestones include:

- Nearly 9,000 electronic journals are now available for use across the University. Recent acquisitions include journals from BioMedCentral, CRC Press, and the Journal of the National Cancer Institute.
- Continued expansion of journal article indexes and reference materials. Recent additions include EnvironetBase, Engineering Handbooks Online, and Columbia Gazeteer of the World.

- Rapid expansion of online books including 20th Century English Poetry, Early English Books Online, and 500 UC Press titles whose electronic editions are created and hosted by the CDL.

With valuable oversight by the Academic Council through its committees and representation on the Systemwide Library and Scholarly Information Advisory Committee, the CDL has aggressively pursued integration of services, for example, by working with content vendors to provide links from article citations directly to the online articles themselves. This is but one advantage of the recently completed system transition to vendor-supplied online journal article databases. Another major system transition for the Melvyl Systemwide Library Catalog is nearing completion. The CDL can be accessed at www.cdlib.org.

The CDL has also launched three major new initiatives: the first will ensure maximum public benefit from the wealth of material that the University and its libraries are making available online for unrestricted access; the second will ensure that those materials, along with others that are exclusively available to the university community, persist through time and through changing technologies; and the third will explore how those materials can be made most readily accessible to and integrated in online learning materials, whether they are being prepared for use within UC or other universities, colleges, and schools.

In January 2003, the CDL realized one of President Atkinson's long-time ambitions for it: the construction of a digital library for the people of California. Its new website, www.californiadigitallibrary.org, brings together in one place more than 500 digital collections that have been developed by UC libraries, museums, and academic departments. Over the course of the next year, the CDL will be evaluating and extending the site and exploring technologies that will facilitate use of its contents in classrooms "from 'K' to grey."

The Systemwide Library and Scholarly Information Advisory Committee in close consultation with the university librarians and with support from the Office of Systemwide Library Planning, is undertaking development of a new strategic planning framework that will guide UC's library and scholarly communication initiatives in the coming years. This planning initiative is a broadly consultative one and has already included substantive presentations by the University Librarian for Systemwide Library Planning to the Board of Regents, the Academic Council, the Academic Planning Council, and a variety of Senate committees including Educational Policy (UCEP) and Planning and Budget (UCPB). An appearance at the University Committee on Research Policy (UCORP) has also been scheduled. Many of the principal challenges are tied to the difficulties involved for universities generally in maintaining great research and teaching collections in an era of dramatic inflation in both the number and cost of scholarly publications.

A two-year study funded by the Andrew W. Mellon Foundation that explores how libraries can best manage scholarly journals in both print and digital formats has completed collection of data on use of print and electronic journals and now begins the user survey phase. The qualitative responses will add to the quantitative data to help the project staff assess the effects of removing print journals for which digital access is also available from shelves of selected campus libraries. More information on the study can be found on the Web at www.ucop.edu/cmi.

9. DUAL ADMISSIONS PROGRAM. In July 2001, The Regents approved BOARS' recommendation to establish the Dual Admissions Program (DAP). Under DAP, students who fall between the top 4 percent and 12.5 percent of their high school graduating class and who are not eligible to attend UC directly from high school through statewide eligibility, will be admitted to a specific UC campus and expected to successfully complete a transfer program at a California community college.

DAP will take effect for the class applying to college for Fall 2004 entrance, meaning the first students transferring to UC through the program would do so in Fall 2006. The University will begin identifying prospective DAP students in high school this summer. Although implementation was delayed one year due to the State's fiscal problems, the program is moving forward with \$2.5 million in State funding received in 2002-03. The funds will be used to identify DAP-eligible students in California high schools (expanding the process already in use for the Eligibility in the Local Context program), monitor student academic progress, expand UC campus articulation agreements, and enhance UC transfer advising services.

10. ELIGIBILITY IN THE LOCAL CONTEXT. Fall 2003 is the third year of implementation of the Eligibility in the Local Context (ELC) program. Under ELC, California high school graduates in the top four percent of their graduating class who had completed a specified number of academic courses by the end of the 11th grade are eligible for UC admission. A total of 13,849 high school seniors were notified of their ELC eligibility in September 2002. In addition to informing them that they qualified for ELC status, the letters alerted these students to the fact that an electronic application had been started for each of them, using the course information supplied as part of their eligibility determination. Of that group, 11,224 students, representing 81.0 percent of the ELC-eligible high school seniors, applied for Fall 2003 admission. ELC applicants comprise 17.1 percent of all California freshman applicants. In addition, 96 percent of California's public high schools and an estimated 80 percent of its private high schools are now participating in the ELC program. Nearly all ELC students also become eligible by statewide criteria.

11. COMMISSION ON THE GROWTH AND SUPPORT OF GRADUATE EDUCATION. In January 2002, the Commission on the Growth and Support of Graduate Education reported to The Regents that, by 2010, the University will need an additional \$215 million annually in graduate student support (in 1998-99 dollars), to meet its goal of enrolling 11,000 more graduate students by 2010 and to compete successfully for the best students. The Commission recommended ten initiatives to raise this funding and to foster success in graduate education.

At the January 2003 Regents' meeting, the University reported on progress toward implementing the Commission's recommendations. That progress has been impressive, especially in light of the economic slowdown. Based on the most recent data available, UC is on target overall toward meeting the Commission's goals with regard to increasing graduate student stipends in every field, raising total funding, and expanding total graduate enrollments.

Over the past year, campuses have made substantial progress in implementing many of the Commission's recommendations. For example, campuses together raised about \$35 million in new endowed funds for graduate fellowships last year. Campuses also obtained more money for

federally funded fellowships and research assistantships, and they reallocated over \$10 million for graduate student support over the past three years. Campus administrators and faculty are working together to improve graduate recruitment and admissions practices, expand faculty-student mentoring programs, and provide more career placement support. In sum, UC has made good progress toward increasing funding and improving the campus environment for students, but much more will need to be done to reach our goals. The challenge will be to continue progress during a period of state budgetary stringency and federal budgetary uncertainty.

12. RETIREMENT BENEFITS FOR DOMESTIC PARTNERS. At its May 2002 meeting, The Regents voted to extend to eligible UC employees with domestic partners retirement benefits comparable to those now offered to married UC employees. Employees who are members of the UC Retirement Plan (UCRP) and their qualified domestic partners and/or family members are now able to receive two types of death-related retirement benefits:

1. Pre-retirement survivor income paid to an eligible domestic partner, eligible child(ren), or eligible parent if the UCRP member dies while employed at UC with at least two years of service credit or with eligibility to retire; and
2. Post-retirement survivor continuance income paid to an eligible domestic partner, eligible child(ren), or eligible parent if the UCRP member dies after retiring from UC or after becoming eligible to retire from UC.

Previously, only UCRP members with spouses and/or dependent children or dependent parents could qualify for these benefits. It is estimated that 2 percent of the UCRP membership with same-sex domestic partners, and 6 percent of the UCRP membership with opposite-sex domestic partners, would qualify for the new survivor income benefits. The combined benefits required a total one-time cost to the UCRP of approximately \$139 million and an ongoing annual cost of \$7 million. These costs are covered by the assets of the retirement plan.

The new benefits became effective July 1, 2002, for eligible UCRP members. (Domestic partner benefits do not apply to UCRP retired members with retirement dates of June 30, 2002, or earlier.) As of February 2003, the Office of the President has received approximately 300 UCRP Domestic Partner Declarations (State and/or University declarations). Of this total, approximately 205 were same-sex and 95 were for opposite-sex relationships. Since July 1, 2002, OP has processed five domestic partner survivor death claims.

UC also provides health benefits to employees with same-sex domestic partners. As of February 2003, there were approximately 1315 employees with same-sex domestic partners participating in UC medical, vision, and dental plans.

13. LONG-RANGE ENROLLMENT PLANNING. For several years, the chancellors and the Office of the President have been planning for growth of up to 211,000 regular year, FTE students at our general campuses by 2010, based on planning assumptions that made sense in 1998-99. Recent experience has shown that enrollments may need to go higher and planning may be required for the years beyond 2010. The chancellors have been asked to consider the capacity of their campuses to accommodate eligible undergraduate and graduate students through 2015. Several campuses have already been reviewing their physical capacity to

accommodate more enrollments and are revising their Long Range Development Plans accordingly. Discussions of new long-range enrollment projections are currently underway.

14. SUMMER INSTRUCTION EXPANSION. Following funding received for summer instruction at the Berkeley, Los Angeles, and Santa Barbara campuses for Summer 2001, the 2002-03 Budget Act also included full marginal cost funding for summer instruction at the Davis campus for Summer 2002.

The combination of low per-unit summer fees, the availability of financial aid, and high quality courses at the State-supported campuses has served as a powerful incentive for UC students to enroll. Summer FTE enrollments in 2002 increased at the fully State-funded campuses by 21 percent over Summer 2001, and by the same percent at the other campuses. In two summers, UC has seen a 72-percent increase in summer FTEs and is already nearly halfway to our planned target of 24,000 summer FTEs by 2010.

Despite the State's budget situation, the University has requested full funding for the remaining campuses in the 2003-04 budget. The outcome of this request remains to be seen. The University remains optimistic that sooner or later, the State will provide funding for all our campuses' summer programs.

The continuing challenge is to increase the participation of regular-rank faculty in summer teaching—a clear State expectation in return for providing full marginal cost funding. In Summer 2002, the four State-funded campuses increased the number of regular-rank faculty teaching by 20 percent over Summer 2001, and by 60 percent over Summer 2000.

15. UC MERCED. With less than 18 months to its launch date, UC Merced is focused on final preparations for opening day: recruitment and induction of faculty, curriculum planning, student recruitment, development of core student services, and construction of the campus facilities that will house these activities. Concurrently, the UC Merced educational centers located in Fresno and Bakersfield are delivering summer instruction and continuing outreach efforts for the first students UC Merced will serve, as well as other programs to advance the campus's far-reaching effects throughout the San Joaquin Valley.

Academic Planning

UC Merced is heavily engaged in recruiting the faculty necessary for opening the campus in 2004. Though its recruitment program was scaled back due to last year's State budget situation, the campus aggressively moved forward with hiring the first 35 founding faculty. At the time of this report, ten of these faculty have been hired and several more recruitments are in the final stages of negotiations. The campus plans to open with 75 faculty and lecturers on board.

The Deans of Engineering and Natural Sciences are in place and the search for the Dean of Social Sciences, Humanities, and Arts is nearing completion. A search is also underway for the Director of the World Cultures Institute. UC Merced is being planned as a university that emphasizes links among the disciplines and minimizes the barriers between academic areas.

The Vice Chancellor for Research and Dean of Graduate Studies, and the Director of the Sierra Nevada Research Institute (SNRI) began their appointments in July 2002. Both have created

research arrangements that capitalize on UC Merced's partnership agreements with the Sierra National Parks and with Lawrence Livermore National Laboratory. Yosemite National Park is providing an historic building, to be renovated with support from the Yosemite Fund, for use as a field station by SNRI and other researchers. Lawrence Livermore National Laboratory has agreed to help during UCM start-up with compliance committees for human subjects review and for animal care and use in research.

During the first year of operation, 2004-05, UC Merced will offer six undergraduate majors, with several new majors added each year thereafter as the campus grows. The campus will also offer a select number of graduate and professional programs that meet state and national needs for advanced training. Faculty graduate groups, with membership drawn from the Schools, will oversee graduate degree programs, which emphasize cross-disciplinary collaboration. This interdisciplinary approach in both research activities and graduate degree programs will be a guiding principle in academic planning.

With the initial academic programs identified, the campus is now working closely with Central Valley community colleges and high schools to prepare students for admission into these majors. Outreach efforts at the UC Merced educational centers are already making the 10th campus accessible to groups with traditionally low participation rates.

UC Merced's outreach units have integrated both *general* functions (recruitment of UC Merced students) and *developmental* functions (expansion of eligibility among Central Valley students in partnership with K-12 schools) into a strategic plan designed to meet the needs of Central Valley students and the demands of building a new University of California campus in the region.

Campus Development

The physical campus is also under rapid development in order to meet the accelerated opening schedule for 2004. Chancellor Carol Tomlinson-Keasey's inauguration in October 2002 included a groundbreaking ceremony, which was quickly followed by the start of construction of the campus site. Two management teams are in place to oversee construction of the first three campus buildings.

The campus's first housing and dining project, named the Lakeview Garden Suites and Dining Commons, is also underway. The Regents have approved the concept and a company will be selected to build the project very soon. When the campus opens in 2004, UC Merced will be able to house approximately 600 students in two-story suite style apartments. Organization of housing and dining operations is now a high priority for the campus.

Budget

The State's fiscal situation continues to pose a serious challenge for the nascent campus. UC Merced has reduced its expenditure plans by \$15 million in the last two budget cycles, an action that has affected every single function. Most notably, the academic programs have been pared down along with the faculty—originally 100 faculty and lecturers were included in the 2004-05 budget; that number has been reduced to 75. The number of students who will be served has not been reduced; the target remains 1,000 students in the first year, growing to 5,000 in 2010. Other primary functions affected by budget reductions include information technology, which will be far less advanced than originally envisioned, library acquisitions, and student services.

Despite the dire budget situation currently facing the State, the governor and the Legislature have shown strong support for the campus and its accelerated opening, demonstrating a shared commitment to increase access to the University of California in the underserved San Joaquin Valley region.

16. ACCOUNTABILITY FRAMEWORK FOR HIGHER EDUCATION. One of the recommendations from the Joint Legislative Committee to Develop a Master Plan for Education was the creation of a new accountability framework for higher education that would build on the higher education partnerships with the governor. Senator Dede Alpert held a dinner in December for higher education leaders and a symposium with higher education experts in January to begin the process of developing this framework. As part of this effort, the Senate Office of Research commissioned a paper by Nancy Shulock, executive director of the Institute for Higher Education Policy at CSU, Sacramento. That paper has been the basis for these discussions and draws the following conclusions that are being supported by UC participants in the discussions:

- Accountability for state-level outcomes is not and should not be the same as accountability for segmental or institutional performance. An accountability framework should start with identification of a set of fundamental priorities and goals for the State as a whole in postsecondary education.
- Accountability is not the same as assessment; higher education accountability should not follow the K-12 model of trying to assess “standard learning outcomes.”
- Accountability is not performance budgeting and, while an accountability system can inform the budget process, it should be kept separate from the budget process.

President Atkinson attended the December dinner and UC Davis Chancellor Larry Vanderhoef, Academic Council Chair Gayle Binion, and Vice Provost Julius Zelmanowitz represented UC at the January symposium. The participants in the symposium agreed that the State should focus on a small number of state-level goals for all segments of higher education and a small number of measures to assess the State's progress in meeting those goals.

17. CALIFORNIA HOUSE, LONDON AND MEXICO CITY. California House, London, has served as the venue for a number of recent UC alumni events in the United Kingdom and continues to assist the campuses in planning for events that are held elsewhere in London. California House staff is also in the process of implementing internship programs for UC Education Abroad Program (EAP) students in the UK. We are exploring the possibility of securing funding from British public and private sources for collaborative research efforts involving faculty at British universities and at UC.

In the aggregate, UC campuses received more than \$5 million in private gifts and grants from the UK last year and another \$1.7 million in private contracts. Financial circumstances, however, have necessitated that the position of Executive Director of the UC Trust (UK) be eliminated. The duties formerly discharged by that position have been assigned to others in London and in California.

Meanwhile, plans continue to establish a California House in Mexico City (“Casa de California”). A site has been selected and, pending completion of financing arrangements, will be available for occupancy by EAP, UC Institute for Mexico and the United States (UC

MEXUS), and other UC offices. California House, Mexico City, will also be used by the Governor's Office and the California Trade, Technology, and Commerce Agency.

18. CALIFORNIA-MEXICO INITIATIVES. Under the guidance of UC MEXUS, the University has an Agreement of Cooperation in Higher Education and Research with Mexico's National Council for Science and Technology (CONACYT). UC and Mexico have established a joint Commission on Education, Science, and Technology co-chaired by UC President Richard Atkinson and CONACYT Director General Jaime Parada. The Commission includes research and education leaders from both California and Mexico, and it has begun an ambitious agenda to strengthen collaborative ties between institutions in California and Mexico and to create ways in which the University can assist CONACYT in succeeding in its mandate to build collaborations between Mexican researchers and Mexican industry. The Commission has now met twice, and at the last meeting, both sides shared progress reports and discussed next steps on collaborations. Several workshops are being planned to bring UC expertise to questions of government-university-industry collaboration and the building of new higher value-added industries in Mexico. The Commission will meet again in May or June on the UC Riverside campus.

Also, the number of Mexican citizens pursuing graduate degrees on UC campuses with support from the UC-CONACYT agreement continues to grow as does the collaborative research program between UC and Mexican scholars. The development of a California House in Mexico City (see above) will assist greatly in the University's efforts to collaborate with Mexican universities.

19. CODE OF CONDUCT FOR TRADEMARK LICENSEES. Since August 1998, the University of California has followed a code of conduct for trademark licensees who manufacture consumer products bearing University logos and trademarks. In January 2000, the University strengthened its code as a result of suggestions from an advisory group of faculty, students, and administrators. The code specifies for University licensees and contractors minimum workplace standards and practices related to legal compliance, ethical practices, and employment standards.

Since January 2002, the University has been a member of both the Worker Rights Consortium (WRC) and the Fair Labor Association (FLA). The WRC has been active in ad hoc investigations of working conditions at university licensee production facilities worldwide; WRC investigations are undertaken in response to allegations of violations of workplace standards set out in university codes of conduct such as the UC Code. Over the past year, WRC investigations have resulted in university licensees, including UC licensees, implementing significant workplace improvements. Beginning this year, the FLA has instituted a broad-based monitoring program, which requires all FLA member companies (including all UC licensees) to implement internal monitoring programs and larger companies to participate in periodic external inspection programs conducted by independent monitors selected by FLA. It is anticipated that the FLA monitoring system, coupled with the WRC system of investigations in response to worker requests, will greatly enhance the ability of the University to monitor and enforce compliance with the UC Code of Conduct.

20. CONTRACT AND GRANT ACTIVITIES.

Extramural Award Funding

The total systemwide extramural support for fiscal year 2001-02 increased about 15 percent over fiscal year 2000-01. The major increases were in federal, State, and other government funding, and awards from charities. Awards from business, industry, and interest groups increased only slightly. Federal awards increased by 11.4 percent; State awards by 43 percent; and other government awards by 44.8 percent. Funding from charities increased by 29.6 percent and from other higher education institutions by 29 percent. Funding from business and industry increased by only 2.8 percent.

Based on the proposed federal budget for research agencies, federal funding could continue to grow in FY 2002-03. However, awards from State agencies will be reduced. Some programs have already received notices of reduction in funding from State agencies. The private sector economy may affect funding from businesses. Funding available from UC research programs has also been reduced.

Federal Publication Restrictions, Export Regulations, and Controls on Participation of Foreign Nationals

The OP Research Administration Office is working closely with the Vice Provost for Research and campus research administration offices, as well as with other major research universities and national organizations, on the increasing number of federal awards with clauses which restrict publications or participation of foreign nationals. In addition, the new Centers for Disease Control and Department of Agriculture rules regarding access and storage of select agents and toxins that the University is currently implementing will affect research projects that use the listed agents. The Research Administration Office is consulting with the Office of Health Affairs on the impact of these rules on campus research.

Large Campus Federal Proposals

The Research Administration Office has worked closely with the Vice Provost for Research and the Davis and Santa Cruz campuses on the submission of several very large and complex federal proposals. The Davis campus has submitted two proposals to the National Institutes of Health, one for a Regional Center of Excellence in Biodefense and Emerging Infectious Diseases, and a second for a National Biocontainment Laboratory facility. The Santa Cruz campus has submitted a proposal to NASA for a University Affiliated Research Center (UARC) in partnership with the NASA Ames Research Center.

Campus Indirect Cost Recovery

As campuses are reviewing sources of funding, several campuses are looking at their indirect cost recovery and their approved waivers or reduction of indirect costs for extramural awards. The Research Administration Office reviews all exceptions to indirect cost rates and maintains a database of all campus requests for reductions or waivers of indirect costs. This information is provided to campuses upon request.

21. EDUCATION DOCTORATE AND EDUCATIONAL LEADERSHIP. In Master Plan and legislative deliberations beginning in 2001, the California State University (CSU) sought and UC opposed a change in the Master Plan for Higher Education's delineation of function to allow CSU to offer the Doctor of Education (Ed.D.) degree. In November 2001, CSU and UC reached agreement on expanding UC/CSU joint doctorates in education to meet California's need

for skilled leaders in K-12 schools and community colleges. This included the creation of a new Joint Ed.D. Board "to solicit, develop, fund, and expedite proposals for joint Ed.D. programs that build on the mutual strengths of CSU and UC campuses." This agreement was endorsed by the Legislature last year through the adoption of Senate Concurrent Resolution 93 (Alpert), which was co-sponsored by UC and CSU and expresses legislative support for the joint Ed.D. initiative between UC and CSU.

Since the agreement was reached in November 2001, the Joint Ed.D. Board has held seven meetings, consulted with K-12 and community college leaders, issued a Request for Proposals in March 2002, and reviewed a number of proposals. Awards for planning, development, and implementation have been made to seven new joint Ed.D. programs and to an existing program for expansion. Several of the new programs expect to begin enrolling students in Fall 2003. The Board is considering ways to identify state and regional needs to ensure that these programs are accessible to all areas of California.

UC continues to move forward with planning for the creation of a new California Institute for Educational Leadership, although budgetary limitations will require a longer phase-in of the proposed activities that will constitute this initiative. A faculty design team is nearing completion of a proposal for this institute that suggests how the University can best assist in efforts to improve educational leadership in the State. The design team's deliberations have been guided by input from K-12 and community college leaders.

22. EXTERNAL DEBT STUDY. In February 2003, Senior Vice President Mullinix initiated an external debt study to review the currently outstanding debt of the University of California, the current strategy for the issuance of debt, and the existing overall debt capacity. The study will also provide recommendations based on specific areas of future financing needs, including the need for financing significant amounts of new student housing, and will recommend alternatives about the overall structure for existing and planned debt. Lehman Brothers has been hired to complete the study, working with representatives from the campuses and the Office of the President. Results of the study and any associated changes in debt strategy and methods of issuance will likely be discussed with The Regents before the end of the calendar year.

23. GRADUATE AND PROFESSIONAL SCHOOL ENROLLMENT, FALL 2002. From Fall 2001 to Fall 2002, the total enrollment of new graduate academic students increased by 731 from 8,491 to 9,222 (an increase of 8.6 percent). Professional school enrollments increased in some disciplines and decreased in others during this period. The number of enrolled law students decreased by 45 from 817 to 772 (a 5.5-percent decrease), and business and management enrollments increased by 100 from 755 in 2001 to 855 in 2002 (a 13.2-percent increase). The number of students enrolled in M.D. programs at Davis, Irvine, Los Angeles, San Diego, and San Francisco decreased by one from 570 to 569.

Table 3 displays enrollment data in graduate academic programs (both masters and doctoral levels), and in law, medicine, and business and management for Fall 2001 and Fall 2002.

Table 3

**Enrollment of First-year Graduate and Professional School Students
by Race/Ethnicity and Discipline
Fall 2001 and Fall 2002**

	<u>American Indians</u>	<u>African Americans</u>	<u>Chicanos/ Latinos</u>	<u>Asian Americans</u>	<u>Whites</u>	<u>Other/ Unknowns</u>	<u>Internationals</u>	<u>Total</u>
Graduate Academic Programs (Masters and Doctoral)								
<i>Number</i>								
Fall 2002	60	240	668	1,59	4,003	622	1,870	9,222
Fall 2001	56	201	620	1,206	3,669	734	2,005	8,491
<i>% of Total</i>								
Fall 2002	0.7%	2.6%	7.2%	19.1%	43.4%	6.7%	20.3%	100%
Fall 2001	0.7%	2.4%	7.3%	14.2%	43.2%	8.6%	23.6%	100%
Law (J.D.)*								
<i>Number</i>								
Fall 2002	8	35	82	148	499			772
Fall 2001	5	28	57	152	575			817
<i>% of Total</i>								
Fall 2002	1.0%	4.5%	10.6%	19.2%	64.6%			100%
Fall 2001	0.6%	3.4%	7.0%	18.6%	70.4%			100%
Business & Management (M.B.A.)								
<i>Number</i>								
Fall 2002	2	15	23	148	378	82	207	855
Fall 2001	0	13	22	110	315	73	222	755
<i>% of Total</i>								
Fall 2002	0.2%	1.8%	2.7%	17.3%	44.2%	9.6%	24.2%	100%
Fall 2001	0.0%	1.7%	2.9%	14.6%	41.7%	9.7%	29.4%	100%
	<u>American Indians</u>	<u>African Americans</u>	<u>Chicanos/ Latinos</u>	<u>Multiple Race/ Ethnicity</u>	<u>Asians/ Whites/ Others</u>			<u>Total</u>
Medicine (M.D.) -- UCD, UCI, UCLA, UCSD, UCSF*								
<i>Number</i>								
Fall 2002	2	18	60	15	474			569
Fall 2001	2	20	46	not available	502			570
<i>% of Total</i>								
Fall 2002	0.4%	3.2%	10.5%	2.6%	83.3%			100%
Fall 2001	0.4%	3.5%	8.1%	not available	88.1%			100%
Medicine (M.D.) -- UCB/UCSF, UCR, DREW*								
<i>Number</i>								
Fall 2001	0	9	8	0	43			60
Fall 2000	1	9	10	not available	40			60
<i>% of Total</i>								
Fall 2001	0.0%	15.0%	13.3%	0.0%	71.7%			100%
Fall 2000	1.7%	15.0%	16.7%	not available	66.7%			100%

* The numbers of international students in J.D. and M.D. programs are insignificant and are not counted separately. In 2002, the AMCAS made a significant change in methodology used to collect racial/ethnic data, necessitating a change in use of reporting categories. The ethnic/racial groups to be reported for M.D. students have not been finalized.

Sources: Professional school data were provided by the Schools; graduate academic data were extracted from the corporate data system.

24. HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is federal law that applies to all University of California health care providers and self-insured health plans and mandates significant changes in the legal and regulatory environment governing the security and confidentiality of an individual's health information in written, electronic, or oral formats. HIPAA also affects the payment for healthcare services and the provision of health benefits. The privacy standards of HIPAA provide for the privacy of an individual's health information in any format, and the University must meet the requirements of those standards by April 2003. The security standards provide for the security of an individual's health information that is transmitted electronically, and the compliance date is April 2005. The administrative simplification standards provide for the standardization of transactions and formats used for electronic communication of health care data; the University must be in compliance by October 2003.

Of the three standards, most pressing are the compliance requirements for the privacy standards, which affect an estimated 65,000 individuals at the Office of the President and all ten University campuses. By April 14, 2003, the University must implement policies and procedures that protect the privacy of an individual's health information and train the workforce on those policies. Since November 2000, the University's HIPAA task force, comprising faculty physicians and other academic health center executive staff, have endeavored to develop Universitywide policies that would comply with the requirements of HIPAA while sustaining the University's tripartite mission. To reduce the costs of compliance and provide for consistent practices across all campuses, The Regents took action in May 2002 to support a single system approach to implementing compliance with the privacy standards, including the development of a single set of policies, education modules, and all legal documents required for compliance. Currently, the University's HIPAA task force and the University's privacy officer are working at both the campus and system level to provide information about the University's compliance plan and seek input and comments from affected members of the workforce. In general, all University HIPAA-covered entities are on target to achieve compliance with the privacy standards on time.

25. HOUSING TASK FORCE. The systemwide Housing Task Force, co-chaired by former Regent Sue Johnson and Senior Vice President Joseph Mullinix, was appointed in May 2001 to assess the University's housing needs and programs for students, faculty, and staff. The task force completed its work in the summer of 2002, and at the September 2002 Regents' meeting, Senior Vice President Mullinix provided an overview of the Housing Task Force Report within the context of a long-range planning presentation, and at the November 2002 Regents' meeting, he distributed and presented the final Housing Task Force report. The "UC Housing for the 21st Century" report provides an in-depth analysis of UC housing, including campus plans and goals for student, faculty, and staff housing, private development, and the specific challenges currently facing the University. The report concludes with 15 recommendations that will help ensure the continued strength and viability of UC housing programs and to achieve the goals identified in the housing plan. Senior Vice President Mullinix's office is currently working with campuses and Office of the President administrators to identify critical housing issues and assist with implementing the report's recommendations.

The report found that, to meet the severe housing deficiencies facing the University stemming

from enrollment growth over the next ten years and to increase the percentage of students housed on all campuses, the University will need to build capacity for an additional 39,600 student beds during that time period.

A subcommittee of the task force recommended improvements to the existing faculty and staff housing assistance programs, which were subsequently adopted by The Regents at the November 2001 and March 2002 meetings. The recommendations were to:

- Increase the Supplemental Home Loan Program loan-to-value ratio thresholds;
- Increase the maximum Mortgage Origination Program (MOP) and Supplemental Home Loan Program repayment periods to 40 years;
- Create a graduated payment loan option for MOP;
- Increase the permitted MOP funding from the unrestricted portion of the short-term investment pool to 30 percent; and
- Establish a program for the periodic sales of portions of the MOP portfolio to increase program resources available for additional lending.

The first four recommendations were implemented by June 2002 and have greatly enhanced the ability of these programs to provide affordable tools to support the recruitment and retention needs of the campuses. The MOP Portfolio Sale Program was implemented during the summer and fall of 2002, resulting in the sale of more than \$453 million in MOP loans. The success of the MOP loan sales enabled the issuance of an allocation of an additional \$415 million for MOP loans for the two-year period ending June 2004, or 50 percent greater than the amount allocated for the prior two-year period.

26. INTERNET2/CALREN-2. UC was a founding member of the national Internet2 initiative launched by 140 leading universities to develop advanced network applications and technologies, accelerating the creation of tomorrow's Internet. Internet2 is managed by the Corporation for Advanced Internet Development (UCAID). UC also led the effort to establish CalREN-2, the California portion of Internet2, which supports teaching and research throughout the University with advanced services networks. CalREN-2 is operated by the Corporation for Education Network Initiatives in California (CENIC), a consortium that includes UC, the California Institute of Technology, the California State University, Stanford University, and the University of Southern California. Implementation is underway for a major upgrade to CalREN-2, based on leading edge fiber optic technology. This new network will provide even higher speeds and more Internet capabilities to campus faculty and researchers than the existing CalREN-2 network. Part of the design for the Optical Network Infrastructure (ONI) includes an option to create a very high-capacity, research-only network to meet the needs of several of the California Institutes for Science and Innovation.

The Digital California Project (DCP) supports the extension of the CalREN-2 advanced network services to California K-12 schools. Through this program, county offices of education networks throughout the state are being connected to CalREN-2. So far, all but two counties (Alturas and Humboldt) are connected. The availability of advanced K-12 network services will support initiatives by UC faculty and academic programs to provide enriched educational materials for K-12 students. CalREN-2 now also supports UC research collaboration with institutions in Mexico by linking them to Mexico's equivalent network.

27. LABOR RELATIONS. Bargaining continues without contracts in four major bargaining units: the clerical unit represented by the Coalition of University Employees (CUE) and the lecturers' unit represented by the American Federation of Teachers (AFT), and the research professional unit and the technical unit, both represented by the University Professional and Technical Employees (UPTE). The primary issue in the clerical unit is salary increases in excess of amounts provided by the State budget.

The University and CUE have entered into voluntary mediation in an effort to achieve a contract. If agreement is not reached through mediation, the mediator may recommend that both parties are at an impasse. Upon certification of an impasse by the Public Employment Relations Board (PERB), the parties would move to fact-finding. The fact-finding process typically involves hearings and takes several months to complete. UC could then adopt any or all of the fact-finders' recommendations or implement terms contemplated by its last offer before entering the fact-finding process. Details of the discussions in mediation will remain confidential. However, the University believes that if agreement can be reached on wages, settlement is possible.

The University is in pre-impasse mediation with the AFT in an effort to achieve agreement. The University has delivered a complete version of its most current comprehensive offer to the AFT and asked that the AFT respond with its own comprehensive proposal. The University remains hopeful that agreement can be reached. However, if the parties are unsuccessful in reaching agreement, the University expects that the mediator will certify the parties directly to fact finding.

Following a series of reconciliation meetings last spring between the University and UPTE, which represents 4,000 research support professionals and 4,000 technical employees, the two parties began negotiations for full contracts in both bargaining units last summer. The reconciliation meetings helped to streamline negotiations at the outset. Both sides identified articles in both contracts for which they could agree upon language. However, negotiations have recently stalled over the 2001-02 range adjustment, salary actions for next year, and layoff rights. The University remains hopeful negotiations will be completed soon.

In the next two months UPTE is prepared to file a petition with the PERB to represent approximately 12,000 administrative and professional employees at the University. Employees in this group include analysts, student affairs officers, programmers, accountants, buyers, and auditors. This process will likely lead to elections on the campuses in which UPTE would seek to represent this group of employees.

The University concluded negotiations with the California Nurses Association (CNA) for a three-year contract set to expire on May 31, 2005. CNA represents the University's 7,000 nurses.

The University signed a contract with the Federated University Police Officer Association for UC's more than 200 police officers in November. The comprehensive contract will be in effect until September 30, 2005, and will be closed on all issues except wages and a few select items, which the parties will revisit once a year until the full contract is renegotiated in 2005.

Negotiations with the Academic Student Employees (ASE) are scheduled to begin this spring. The United Auto Workers (UAW), the union representing ASE, must submit its initial

bargaining proposals to the University on March 1, 2003; and UC must do likewise on April 1, 2003. The current contract expires on September 30, 2003, unless the parties agree to an extension.

Negotiations for a full contract will also begin this spring with the AFT, representing approximately 400 librarians at the nine campus libraries. The University and the AFT are scheduled to exchange initial bargaining proposals in early March and bargaining is expected to commence shortly thereafter.

Negotiations for the health care professionals unit are scheduled to commence in mid-March. UPTE and the University are in the process of developing initial proposals for the successor agreement. The current agreement will expire on April 30, 2003.

On July 17, 2002 the UC San Diego House Staff Association was certified by the Public Employment Relations Board as the exclusive representative of all employees in the unit at the UC San Diego Medical Center. This is a local unit and does not include house staff at the other four medical centers owned and operated by the University of California. The Association represents approximately 497 interns and residents at the UCSD Medical Center. The UC San Diego House Staff Association is not affiliated with any national union. Negotiations began in October 2002 and are currently positive, with the Association focusing primarily on compensation issues.

28. MASTER OF ADVANCED STUDY. The fourth Master of Advanced Study (MAS) program has been approved by the Academic Senate and the President. UC San Diego's MAS in Clinical Research joins UC Irvine's MAS in Criminology, Law, and Society, UC San Francisco's MAS in Clinical Research, and UC San Diego's MAS in Management of Healthcare Organizations as programs that have been designed to offer advanced career education for working adults.

29. MASTER PLAN REVIEW. The Joint Committee to Develop a Master Plan for Education released its final report, The California Master Plan for Education, in September 2002. During the three-year effort leading up to the final report, hearings were held around the state to receive input on problems with the State's educational system, and seven working groups developed draft reports on major issue areas.

UC faculty and staff participated throughout this process, serving on the working groups, and an advisory group chaired by UC Davis Chancellor Larry Vanderhoef issued a report on the role the University should play under a new Master Plan that encompasses all levels of education. In early May 2002, the Joint Committee released its initial draft report. In July 2002, UC identified areas of concern in the draft—such as access, funding, research, and other higher education issues—in a letter to Senator Alpert and in testimony at a hearing of the Joint Committee. Subsequently, the University worked with the Joint Committee and its staff to seek additional amendments to the second draft that was released in July 2002. UC continues to have remaining concerns with some aspects of the final report, and the Academic Council recently provided an insightful analysis of the final report.

The Joint Committee is pursuing legislation this session to implement its recommendations. To date, two bills have been introduced, SB 6 (Alpert) on mission and governance, and AB 242

(Liu) on faculty issues, including the appropriate balance of full-time and part-time faculty. UC's position on these bills is still being developed.

More information on the process and links to the full report can be accessed at:

<http://www.ucop.edu/acadinit/mastplan/current.htm>.

30. OUTREACH AND K-12 INITIATIVES. The University's Educational Outreach (EO) programs have sustained significant budget cuts in FY 2002-03, and face additional proposed cuts in FY 2003-04. Both as a result of and in spite of these changes, EO is moving forward to create new ways to engage with the K-12 and community college systems. In areas where programs were particularly hard hit, such as school/university partnerships and professional development, outreach leaders are exploring ways to diversify funding sources in order to stabilize programs and maintain service delivery to students and teachers.

Strategic Review Panel on UC Educational Outreach

In the fall of 2002, a blue ribbon committee of education and business leaders from throughout California was convened to assist the University in conducting a comprehensive assessment of its outreach strategies and methodology. Chaired by Les Biller, former Chief Operating Officer of Wells Fargo Bank, the panel's charge was to:

- Assess the effectiveness of the University's outreach programs;
- Define desirable changes to the University's overall outreach plan;
- Set reasonable short- and long-term goals for the University in pursuing its outreach agenda, given the dimensions of the educational disparities in California and the University's resources and expertise; and
- Recommend a new working alliance with the State's K-12 educational bodies and the California Community Colleges.

With input from the study teams on governance, program effectiveness, evaluation, and collaboration, the panel is currently finalizing its report, which will recommend optimal directions, goals, and implementing structures for UC outreach.

Regional Collaboration

One new outreach avenue that is being explored is that of regional collaboration. Along with the California County Superintendents Educational Services Association, UC is considering ways to address reaching student and teachers in the State via broad educational partnerships. Each institution has appointed a leader for each of the 11 state regions; along with colleagues from K-12 and other higher education segments, they are currently discussing issues related to mutual interests and goals.

Academic Development Programs

The University's student academic development programs—Early Academic Outreach Program (EAOP), Mathematics, Engineering, Science Achievement program (MESA), and Puente—continue to provide academic enrichment to students through tutoring, mentoring, college advising, and college preparatory coursework. Currently, they serve almost 100,000 students throughout the State in more than 400 schools. Substantial numbers of students participating in these programs continue on to higher education, and many choose to enroll in UC. Currently, nearly 40 percent of UC's entering underrepresented minority students are alumni of one of these

programs.

Research and Evaluation

UC's All Campus Consortium On Research for Diversity (UC ACCORD), the research arm of educational outreach, has recently unveiled the "College Opportunities Ratio" (COR), a new statistical indicator that can be used by policy makers and the public to monitor the effectiveness of the State's high schools in producing college-ready graduates. Indicators just released show substantial racial inequality in the State's public high schools, and allow for tracking of factors such as the rate of uncertified teachers and the percentage of students taking advanced mathematics courses and college entrance exams. More information on COR is available at: <http://ucaccord.gseis.ucla.edu/research/indicators/index.html>.

Outreach evaluators continue to assess the impact of the University's major outreach programs, charting progress toward the goals established by the 1997 Outreach Task Force Report. The University will report newly updated eligibility estimates to the Legislature this spring as part of its annual cycle of reporting on State-funded programs. Staff at the Office of the President continue to work with faculty throughout the system on research and study designs to effectively capture the programmatic progress and impact.

31. PRIVATE SUPPORT. Private support exceeded \$1 billion for the third year in a row for the fiscal year ending June 30, 2002, although it showed a modest (0.6%) decline from the prior year. Gifts and grants for capital improvements totaled \$241 million (20.6%) while gifts and grants for endowments totaled \$407.7 million (34.8%). The balance (44.6%) was for current operations or was unrestricted as to purpose. The health sciences once again received the largest dollar amount at \$566.6 million.

Most campuses are anticipating a difficult year ahead due to the economic slowdown, the decline in the stock market, and altered patterns of private giving following the events of September 11, 2001. Nevertheless, for the first six months of the current fiscal year, private support totals actually show a 2-percent increase, with considerable variation from campus to campus.

32. REGENTS' COMMITTEE ON AUDIT REVIEW. On behalf of the Regents' Committee on Audit, a study is currently underway that will provide an independent assessment of the University's internal audit program, including a review of the following:

- The Committee's objectives and purpose;
- The delegation of authorities and the communication channels and reporting relationships to determine the appropriate level of oversight by The Regents;
- Current communication channels between the Committee and the systemwide internal audit function;
- The practices, policies, and procedures for reporting audit findings and conclusions in comparison to professional standards and best practices; and
- The Committee's responsibilities in view of the Sarbanes-Oxley Act. Protiviti, an independent consulting firm, has been hired to complete the study, the results of which will be presented to The Regents on March 13 at the meeting of the Committee on Audit.

33. UC 2010 – A NEW BUSINESS ARCHITECTURE FOR THE UNIVERSITY OF CALIFORNIA. UC 2010 – A NEW BUSINESS ARCHITECTURE FOR THE

UNIVERSITY OF CALIFORNIA. The development of a scalable business model to accommodate growth, preserve quality of service, and maximize resources allocated to the academic enterprise is a primary focus of UC's administrative leadership. Campuses are assessing their staff resource allocation strategies, and identifying and recruiting the skills required to address the growth-related challenges of the future. Universitywide efforts are underway to:

- Move our business platforms to the Web and to improve their accessibility through integrated portals, common directories, single sign-on, and authorization capabilities;
- Leverage the University's purchasing power to return savings to departments;
- Deploy new business systems which simplify policies and procedures and enable staff to develop their knowledge and skills on the job;
- Develop the critical information assets of the University to better facilitate analysis and decision-making; and
- Develop repositories for Universitywide sharing of electronic content required by UC business functions.

34. UC CONSORTIUM FOR LANGUAGE LEARNING AND TEACHING. The Consortium continues to fulfill its mission with respect to foreign language planning, professional development, promotion of second language research, and outreach. Examples of this year's activities include:

- In Fall 2002, the Consortium produced and distributed a statement on "Teaching Languages at a Distance in the UC System." It provides the UC Academic Policy Committee and other curriculum committees with background information to assist them in evaluating proposals for distance-taught language courses.
- The Consortium published a statement dealing with "University of California Guidelines on Heritage Language Instruction," which asserts that heritage language education presents a challenge that the University of California should be the first to address with a formal, unified approach that would include well-planned and coordinated curriculum design, training, research, and outreach.
- The Consortium issued its first RFP for the Consortium Grants Program in Fall 2002, and results will be announced in April.
- The Consortium will offer its third annual summer professional development workshop in June 2003 entitled "Discourse and Culture in Language Study. "

For a full description of projects, see <http://ucellt.ucdavis.edu>.

35. UC CENTER IN SACRAMENTO. Following a report from a systemwide ad hoc faculty and administrative group on the value of developing an academic center in Sacramento, the Office of the President contracted, in March 2002, with Ed Costantini, Professor Emeritus and former chair of Political Science at UC Davis, to prepare a model development plan. Professor Costantini consulted with more than 80 members of the UC community. During the fall of 2002, the model plan was reviewed by the Council of Chancellors, the Council of Vice Chancellors, the Academic Senate, and the Academic Planning Council. There is general support for pursuing the creation of an integrated academic program in Sacramento when budget circumstances permit. In the interim, broad consultation is underway on a plan to launch a small pilot academic program to test the feasibility of a comprehensive program as envisioned in the Costantini report. The pilot would serve a cohort of 24-30 undergraduate students. The program

would offer internships and classes for participating students as well as research opportunities for UC faculty and graduate students, and it would be housed in the UC facility on 11th and K Streets in downtown Sacramento, located one-half block from the State Capitol.

36. UC TEACHING, LEARNING AND TECHNOLOGY CENTER (TLtC). The University of California Teaching, Learning and technology Center (TLtC) is a center-without-walls that provides systemwide visibility to campus and faculty efforts that use new technologies to improve teaching and learning. The Center also provides complementary support to leverage those efforts for the benefit of the entire university system.

TLtC Intercampus Collaborative Grants aim at furthering innovative and appropriate uses of technology in teaching and learning through partnerships across the campuses. The UC Office of the President has earmarked approximately \$600,000 for 2003-04 to support these endeavors through two types of grants: Feasibility/Planning grants and Full-scale Expansion and Implementation grants. Since the program's inception in 2001, the TLtC has awarded 33 intercampus collaborative grants for a total of \$834,000.

The UC TLtC Web-zine and online forum (<http://www.uctltc.org>) is an interactive Web publication that officially launched in December 2001. In addition to feature articles and news stories about how technology is used in teaching and learning at UC, the Web-zine includes links to educational technology resources across the system and beyond. The Web-zine also hosts a developing database of faculty uses of technology, designed to enable faculty to connect with one another to learn more about strategies and tools as well as to collaborate on projects.

37. UCTV. UCTV continues to make progress in obtaining quality programs from all of the campuses as well as finding new programming outlets. UCTV has established a production fund to facilitate the creation of new programming from throughout the UC system. By reallocating a small amount of existing funds in the UCTV budget, the production fund provides seed money to spur the production of new programs or program segments. In addition to assisting in the production of full-length programs from the various UC campuses, one of the goals of this fund is to enable the production of short segments to support a new magazine-format series. In Spring 2003, UCTV will launch a new 30-minute magazine-style program featuring a variety of segments from throughout the system.

Taking advantage of technological advances in delivery of broadband content over the Internet2 backbone, UCTV began transmitting live broadcasts and webcasts of medical "Grand Rounds," enabling health care providers in remote areas to access some UC continuing medical education courses via UCTV's Website (www.uctv.tv), its direct broadcast satellite channel (Dish Network Ch. 9412), and local cable (in some areas). The first three topics covered will be "Pediatric Pain Management," "Smallpox," and "High Risk Obstetrics." The program on smallpox was mentioned in a CNN Headline News segment as an example of the uses of new video streaming technologies.