

PRESIDENT ROBERT C. DYNES
LIST OF DISCUSSION TOPICS FOR THE MEETING OF
THE ASSEMBLY OF THE ACADEMIC SENATE
WEDNESDAY, MARCH 10, 2004

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1. BUDGET. The Governor's Budget for 2004-05 was released on January 9, 2004. The proposed budget includes significant student fee increases, along with suggestions for a long-term student fee policy for both undergraduate and graduate academic students; proposes enrollment reductions; assigns further base budget reductions; and provides some increases to the University's budget. The budget reflects a further reduction in State support as a result of the State's budget crisis and presents the University with many difficult challenges, including a fourth consecutive year of base budget cuts and no funding for basic operating costs such as salaries, merit salary adjustments, cost increases, and maintenance of new space. Nevertheless, the State's budget crisis is of such a magnitude that it requires the University participate in the solution.

The University has consulted with Regents, Chancellors, faculty, students, and staff regarding the proposals included in the Governor's Budget. There is deep concern throughout the University community over the continued withdrawal of State support from the University and the ensuing impact on quality and the University's ability to maintain its academic programs. Moreover, there is an interest in pursuing several policy and technical changes to some budget proposals. The display on the next page explains the governor's proposals for 2004-05, which are discussed below.

Student Fee Increases

The governor has proposed a long-term student fee policy for the University of California and the California State University (CSU) that calls for increases in student fees equivalent to the rise in California per capita personal income. However, in years in which the segments determine that fiscal circumstances require increases that exceed the rate of growth in per capita personal income, UC and CSU may determine that fee increases of up to 10 percent are necessary to provide sufficient funding for existing programs and preserve quality.

As indicated in the display on the next page, the governor proposes the following student fee increases for 2004-05:

- a 10% increase in mandatory systemwide student fees for undergraduate students, limiting the return to aid to 20% of new revenue;
- a 40% increase in mandatory systemwide student fees for graduate academic students, limiting the return to aid to 20% of new revenue;
- increases in the Fee for Selected Professional School Students sufficient to reduce the total State subsidy provided to these programs by 25%, allowing flexibility for the University to determine the actual fee increases for each school. The estimates of revenue generated assume no return to financial aid related to this increase;
- a 20% increase in nonresident tuition, with a return to aid of 20% of new revenue
- implementation of a new fee to be applied against credit units taken by resident undergraduate students that exceed a threshold of 10% above the minimum needed to graduate. Such credits will be charged at the full cost of instruction.

**University of California
2004-05 Governor's Budget
(\$ in millions)**

2003-04 State General Fund Budget per State Budget Act prior to 2003-04 Mid-Year Reductions	\$ 2,898.0
Increase Student Share of Funding for Educational Expenses and Reduce State Funds	
Increase undergraduate student fees \$500 (10%)--limit return to financial aid to 20%	\$ (63.6)
Increase graduate academic student fees \$2,088 (40%)—limit return to financial aid to 20%	(57.4)
Increase professional school fees to reduce State subsidy overall by 25%--no return to financial aid	(42.2)
Increase non-resident tuition \$2,746 (20%)--assumes 20% return to financial aid	(32.6)
Charge students an excess units fee for units that exceed a threshold of 10% above minimum number of credit units needed to graduate	(9.3)
(Note: A \$15.7 million unallocated mid-year reduction grows to \$47.2 million in the budget year and is included in the student fee increase offsets above).	
Subtotal, State General Fund Cuts Offset by Increases in Student Fees	\$ (205.1)
Reduce Enrollment	
Reduce Freshmen enrollment by 10% (3,200 FTE)	\$ (24.8)
Provide counselors for redirection of freshman to community colleges	1.6
Subtotal, Enrollment-Related Changes	\$ (23.2)
Other Budget Cuts	
Increase student/faculty ratio from 19.7:1 to 20.7:1	(35.3)
Reduce academic and institutional support 7.5%	(45.4)
Reduce research 5%	(11.6)
Eliminate State funding for Institute for Labor and Employment (mid-year reduction of \$2 million grows to \$4 million in 2004-05)	(4.0)
Eliminate State funding for outreach (mid-year reduction of \$12.2 million grows to \$33.3 million in 2004-05)	(33.3)
Eliminate State funding for California Digital Project (K-12 Internet)	(14.3)
Subtotal, Other Budget Cuts	\$ (143.9)
Subtotal, All State General Fund Reductions	\$ (372.2)
Other Budget Adjustments and One-Time Actions	
Restore one-time \$80.5 million unallocated cut from 2003-04 budget	\$ 80.5
Provide one-time funds for UC Merced (increase one-time funding from \$7.3 to \$10 million)	2.7
Funding for annuitant health care benefits cost increase	34.4
Lease revenue bond payments	27.1
Subtotal, Other Budget Adjustments and One-Time Actions	\$ 144.7
Partnership Funding Not Provided	
4% increase to the base for salaries, benefits, and other cost increases (\$114.2 million)	0
1% increase to the base for core needs (\$28.5 million)	0
Normal funding for 5,000 FTE enrollment growth (\$40.0 million)	0
Funding for State-funded summer instruction at four remaining campuses (\$31.0 million)	0
Total Governor's Proposed State General Fund Budget for 2004-05	\$ 2,670.5
2004-05 Governor's Budget for Capital Outlay	
General Obligation Bond Program	\$ 339.4
State Lease Revenue Bonds	55.0
Total State Budget for Capital Outlay	\$ 394.4

UCOP—January 9, 2004

Together, the student fee proposals are expected to generate \$205 million in savings for the State. These fee proposals present several concerns for the University.

Long-Term Student Fee Policy. The University would prefer to have a fee policy accepted by both the University and State government that would provide for annual increases in student fees consistent with an economic measure, such as per capita personal income. However, such a policy must be contingent upon the State being able to provide adequate support for the University's basic needs.

Undergraduate and Graduate Academic Student Fee Increases. Following wide consultation within the University community, it is clear the 40-percent increase proposed for graduate academic students is of deep concern, given the need to continue to attract the best graduate students in the country. The University has been striving in recent years to become more competitive in attracting top quality graduate students to the state. Unfortunately, the dramatic increase in fees proposed in the Governor's Budget would make it more difficult to develop the financial support packages necessary to attract these students.

Therefore, the University is considering alternatives to the proposed graduate student fee increase, including the possibility of increasing undergraduate fees slightly more than proposed by the governor in order to reduce the level of the graduate fee increase. If an alternative were adopted that exceeds the 10 percent threshold established in the proposed new student fee policy, it would be the University's intention to increase undergraduate student fees less than 10 percent in each of the next two years (assuming that the State provides sufficient funds to support the University's basic budget needs and prevent further erosion of quality) so that the average over three years is 10 percent per year, in keeping with the governor's proposal. Because of the governor's expressed interest in this issue, the University is not prepared to make an actual proposal at this time and instead intends to allow further discussions with the Schwarzenegger Administration to continue.

Fee for Selected Professional School Students. The Governor's Budget assumes the University will develop a plan for achieving the \$42.2 million in revenue expected from Professional School Fee increases. The University estimates that in order to achieve this revenue target, fees at each of the schools would need to increase by about \$5,000. However, the University has been asked to exempt Nursing from these increases and to implement smaller than average increases for students in the School of Medicine. In addition, a few of the schools—such as Optometry, Pharmacy, Theater Film & TV—could probably not sustain increases of \$5,000 and still attract sufficient numbers of highly qualified students. Therefore, fees at some other schools may need to be increased higher than the \$5,000 average.

Nonresident Tuition. The governor has proposed a 20 percent increase in nonresident tuition. The University is concerned about its ability to generate the nonresident tuition revenue assumed in the Governor's Budget. The University has already witnessed a dramatic decline—exceeding 22 percent over the last two years—in the number of undergraduate nonresident applicants. It will be important to watch this carefully in determining increases in future years. It should be noted that these students actually pay significantly more than the cost of their education.

Excess Units Fee. The governor has proposed establishing a policy to charge the full cost of instruction for excess units that exceed a specified minimum. The University community seems

supportive of implementing such a policy, but most believe it should be phased in over time because a sudden implementation of such a policy would be too drastic. The Office of the President, in consultation with the campuses, will develop a plan for phasing in this policy over a four-year period, beginning in 2004-05, as requested by the governor.

Financial Aid. The governor's proposal calls for significant reductions to the amount of new student fee revenue that can be used for financial aid. The University is concerned about the reduction in the amount of revenue assumed for financial aid purposes. In order to meet the needs of low-income students, grant aid previously provided to needy middle-income students will no longer be available. In addition, part of the return-to-aid generated from undergraduate student fees must be redirected to help fund financial aid for graduate students. This is a significant departure from past practice. However, it is necessary in order to provide adequate support for graduate students. The Office of the President is exploring ways to mitigate the need to use undergraduate fee revenue to help fund graduate student support. For the long term, the University would be very concerned about limiting to 20 percent the return-to-aid generated from fee increases (traditionally, that figure has been 33 percent) and, therefore, will develop a plan for an appropriate level of return-to-aid for future years.

Enrollment Reductions

The governor proposed reducing funding for 3,200 FTE students in 2004-05, which is equivalent to a 10 percent reduction from the number of new freshmen budgeted in 2003-04. The Governor's Budget also proposed that these students be participants in a new Dual Admissions program for eligible students. Under this program, these students would be admitted to a specific University campus, but asked to undertake their lower-division work at a California Community College. Upon successful completion of that work, they would attend the University for their upper-division work and receive a UC degree. While this is a departure from the State's past policies of fully funding all eligible students wishing to attend the University, this proposal provides all eligible students with an assured path to a University of California degree. The Governor's Budget also proposes an augmentation of \$1.6 million to support counselors and tracking of these students to help ensure their ultimate enrollment in the University of California.

Consistent with the principle that enrollment levels should match resources provided, campuses have been provided with revised enrollment targets that reflect the governor's proposal. UC enrollment currently exceeds by 12,000 students planned enrollment levels established in 1999 for the decade. The enrollment actions proposed in the Governor's Budget will help the University get back on track with its original enrollment plan. Campuses are being asked to develop plans for the remainder of the decade to return to the level previously indicated in the University's 1999 enrollment plan for 2010-11, which will total nearly 217,000 FTE systemwide.

Other Base Budget Reductions

Student-Faculty Ratio. The Governor's Budget proposes a 5 percent increase to the budgeted student-faculty ratio, which is expected to generate a savings of \$35.3 million for the State and raise the student-faculty ratio to 20.7:1 (from 19.7:1) in 2004-05. Consistent with the action taken in 2003-04, the University will regard this as an unallocated reduction. Campuses will have the flexibility to hire, or not hire, faculty as they deem necessary, or to take the cut in other ways. It is critical that in addressing this reduction, campuses ensure that students get the classes they need to graduate in a timely manner.

Academic and Institutional Support. The Governor's Budget includes a proposal for reducing

academic and institutional support by 7.5 percent, or \$45.4 million. These programs provide support services and the core infrastructure for the University's academic programs. Campuses have expressed significant concern over further reductions to these programs. Budget cuts in the early 1990s were severe in these areas and have never been recouped. Furthermore, regulatory requirements have intensified. To the extent possible, the University will achieve these savings through efficiencies and cost saving measures, some of which may require negotiating changes to State reporting and regulatory requirements in order to reduce costs.

Research. The Governor's Budget proposes to cut research funding by another 5 percent, or \$11.6 million, on top of the recent 20 percent cut to research programs. Rather than implementing another across-the-board reduction, the University will target this cut to specific research programs. Core research programs, such as agricultural research, Scripps Institute for Oceanography, and many others, cannot sustain further cuts and continue to maintain the quality of their programs. They received disproportionate cuts in the early 1990s and never recovered those funds. Furthermore, most of these core research programs will be already contending with large cuts next year because of the need to cover the significant fee increases proposed for graduate students. The University intends to allocate the \$11.6 million in cuts proposed for 2004-05 to programs that received large increases in the 1990s, as well as those that do not have large numbers of graduate students and therefore will not be coping with the added problem of providing graduate student support to cover the proposed fee increases for next year.

Institute for Labor and Employment. The governor proposes to eliminate State funding totaling \$4 million for this research institute. The University will work with both the legislature and the governor to arrive at a compromise that will allow the University to continue to provide needed research in the area of labor and employment.

Outreach. The Governor's Budget proposes to save \$33.3 million by eliminating all funding for UC-sponsored K-12 outreach programs. The University is deeply concerned about this proposal. Outreach programs are core to the mission of the University. Vice President Doby is working with Chancellors on a major systemwide effort to identify priorities within the outreach program. While it may not be possible to continue the scope and breadth of current programs, the University hopes to work out an agreement with the governor and the legislature for continued support for these programs.

Digital California Project (K-12 Internet). The Governor's Budget proposes eliminating all remaining funding for this program. Instead, the budget includes a total of \$21 million in Proposition 98 funding specifically designated for schools to contract with providers for high-speed Internet access. The Digital California Project has begun negotiating contracts with individual counties and/or school districts to continue providing the services they have established already.

Other Budget Adjustments and One-Time Actions

Restoration of \$80.5 Million One-Time Reduction. The 2003-04 Budget Act included an additional one-time reduction of \$80.5 million above the cuts included in the Governor's Budget. The University addressed this cut in part by borrowing \$47.5 million; the remainder was accommodated along with other reductions to the University's budget through fee increases and base budget reductions. Consistent with the legislative language included in the 2003-04 Budget Act, the Governor's Budget restores this funding to the University. A total of \$47.5 million of these funds will be used to replace funds borrowed in the current year; the remaining \$33 million

will be used to help cover budget deficits for unfunded cost increases that far exceed this amount, such as faculty merit salary increases, price increases related to the non-salary portion of the budget, employee health benefits, and maintenance of new space—totaling about \$100 million in real costs—all of which must be funded despite the lack of State support provided for them.

Continuing Budgetary Challenges

As noted earlier, the budget proposed for 2004-05 represents the fourth consecutive year in which the University has sustained major base budget reductions and endured underfunding for basic budget needs critical to maintaining quality. For 2004-05, the Governor's Budget once again provides no funding for critical aspects of the University's budget.

Competitive Salaries. The University estimates that UC faculty salaries seriously lag the average of comparison institutions, by over 10 percent by next year. A similar problem exists with respect to staff salaries. This is a major issue, both now and for the long term. The University is in the midst of recruiting large numbers of faculty and staff through this decade to support past and future enrollment growth. Competitiveness in terms of both salaries and working conditions is critical to the University's ability to be able to recruit and retain the faculty and staff needed through this decade. Yet, because of continued underfunding of basic needs, the University is increasingly unable to pay competitive salaries. This potentially could have long-term negative consequences for the quality of the University's academic programs.

The underfunding is a particular problem with respect to faculty merits. The University's faculty merit system is a true merit system that is essential to help maintain quality. Faculty undergo a thorough peer review every three years to determine merit and promotion status. In this way, the very best faculty are rewarded. A serious inequity would occur if faculty merit increases are not paid in any one year because one-third of the faculty who are scheduled for their review in that year would be treated very differently from faculty whose review occurs in another year. Consistent with the short-term priorities endorsed by The Regents in January, the University must fund faculty merits and develop a multi-year plan for bringing faculty salaries back into line with the average at comparison institutions. This must be among the University's highest priorities for the long term.

Employee Health Benefits. Health benefit costs are increasing at similar rates to last year—around 15 percent. Because these costs are not being funded, the take-home pay of many UC employees is being reduced, although for the last couple of years, funding has been provided to reduce the impact of health benefit increases for low-income employees. The University intends to take a similar action for lower-paid employees again for 2004-05 and will do as much as possible to keep costs down for other UC employees.

Other Unavoidable Costs. There are a number of other cost increases for which no funding is being provided, including energy costs, maintenance of new space, and other inflation costs. These are significant problems and will place further pressure on the campuses to redirect resources from existing programs to pay for these costs. They are unavoidable and must be addressed.

Capital Outlay

The Governor's Budget provides full funding for the University's capital requests. Voters recently passed Proposition 55, the education bond measure that provides funding for facilities

for public schools throughout the state—including \$10 billion for K-12 and \$2.3 billion for higher education. UC will receive approximately \$345 million per year for capital outlay for the four-year period covered by this bond act and by Proposition 47, the first bond act passed by voters in November 2002. The California State University and the California Community Colleges would also receive capital projects funding. UC's projected capital needs total \$600 million per year through 2006.

Next Steps

The University is in continuing discussions with the Schwarzenegger Administration. It is critical that the University develop and maintain a cooperative working relationship with the governor and his staff. Therefore, no action on the University's budget is being requested of the Board of Regents at its March meeting. As soon as the University is able to reach some understanding on the issues, the Board will be asked to approve a budget plan for 2004-05 and any student fee increases necessary to implement the plan, hopefully later this Spring.

The legislature will begin budget hearings in early March, which will continue through mid-May. The University has been informed that release of the governor's revision will probably remain as scheduled for mid-May. The Budget Conference Committee generally begins its deliberations in early June. Once the budget is completed, the president will present to The Regents an action item to approve a final budget plan for 2004-05.

2. GENDER EQUITY IN FACULTY HIRING. The University of California made its first biennial report to the legislature regarding progress made in addressing gender equity in faculty hiring. Recent systemwide hiring data show that the rate of hiring women in ladder-rank faculty positions continues to improve, as it has every year since 2000-01 when UC began focusing renewed attention on this issue. In 2000-01, the rate of hiring women in ladder-rank faculty positions increased to 30 percent from 25 percent in the previous year. Although that figure increased only 1 percent in 2001-02, preliminary data for 2002-03 show another substantial increase in the rate of hiring women faculty to 36 percent. Although the data on hiring women faculty is incomplete for hires effective July 1, 2003, early data show another substantial increase to 39 percent. Gender data on systemwide faculty hiring are available on the web at: <http://www.ucop.edu/acadadv/datamgmt/napp8402s.pdf>. Pursuant to recommendations made at the 2002 President's Summit on Faculty Gender Equity, the Office of Academic Advancement is circulating proposed revisions to academic personnel policies governing family accommodations and part-time ladder-rank faculty appointments. These revisions clarify and augment existing policies in an effort to create a "family friendly" workplace for UC faculty. Information regarding UC family friendly policies for academic appointees is available on the web at: <http://www.ucop.edu/acadadv/family/welcome.html>.

3. COMMISSION ON THE GROWTH AND SUPPORT OF GRADUATE EDUCATION.

In 2001, the University's Commission on the Growth and Support of Graduate Education made a number of recommendations regarding ways to increase support for graduate students to meet anticipated growth and to increase competitiveness. The most recent review of campus and university progress toward meeting these goals, particularly in the context of increased fees for graduate academic and professional students, raises some concerns:

- UC faculty and graduate students compete well for federal funding. However, despite recent increases in stipend levels and in numbers of awards, stipend levels may not cover higher UC fees and tuition.
- Cuts to State funds for UC research have resulted in an estimated loss of \$4 million

- for graduate research assistantships and other support.
- The amount raised in endowed gifts is less than half the amount raised in 2001-02; nevertheless, campuses have reached 40 percent of the 10-year goal recommended by the Commission.
 - Per-student support has increased nearly \$2,000 overall (from 1998-99 to 2001-02) but proposed fee increases will erode these improvements.
 - It is estimated that UC is \$2,700 below its competitors in average level of support for academic doctoral students (for 2002-03, before fee increases).

UC has been fortunate in recent years to gain State and public support for growth in graduate enrollments. The Governor's Budget proposals to raise fees and reduce financial support present considerable challenges to reaching the Commission's goals to increase funding in order to support growth in graduate enrollments and to increase UC's competitiveness in terms of per-student support.

4. GRADUATE & PROFESSIONAL SCHOOL ENROLLMENTS.

Graduate Academic Programs (Masters and Doctoral)

In Fall 2003, the University of California enrolled nearly 9,600 new graduate academic students. Increases have occurred every year since Fall 1998, when 6,900 students enrolled. Domestic numbers have increased from 5,500 in 1998 to nearly 8,000 in 2003. International numbers hit a high of 2,100 in Fall 2001 but fell to 1,600 in Fall 2003. Numbers of ethnic/racial minorities are at an all-time high: American Indians (71, 0.7%), African Americans (246, 2.6%), Chicanos/Latinos (752, 7.8%), and Asian Americans (1,509, 15.7%). However, the underrepresented groups combined currently represent 11 percent of the new student population, the same percentage these groups combined represented prior to Proposition 209 and Regents' Resolution SP-1.

Law (J.D.)

The number of new Law students has remained steady over the last decade (784 in Fall 2003). In that year, the ethnic/racial distribution of the new class was American Indian (11, 1.4%), African American (37, 4.7%), Chicano/Latino (93, 11.9%), Asian American (153, 19.5%), and white/other (490, 62.5%). The numbers and percentages of the most underrepresented groups remain slightly below the levels observed for these groups prior to Proposition 209 and SP-1 (18.0% in 2003 vs. 20.9% in 1995).

Medicine (M.D.)

The number of new Medical students varies little from year to year. There were 632 new students at all of UC's Medical Schools and affiliated programs. The Association of American Medical Colleges (AAMC) recently redefined the categorization of ethnic/racial groups, making it somewhat difficult to compare changes over time. In Fall 2003, there were 117 (18.5%) students from the following combined ethnic/racial groups: American Indian, African American, Chicano/Latino, or multiple race/ethnicity. In the years prior to Proposition 209 and SP-1, the numbers and percentages of underrepresented groups were significantly higher, routinely more than 22 percent.

Business & Management (M.B.A., excluding self-supported programs)

There were 772 new M.B.A. students in Fall 2003. The ethnic/racial distribution of the new class was as follows: American Indian (2, 0.3%), African American (12, 1.6%), Chicano/Latino (31, 4.0%), Asian Americans (140, 18.1%), and white/other (301, 50.0%). The numbers of

international students in M.B.A. programs is significant at 201 (26.0%). The numbers and percentages of the most underrepresented groups remain below the levels observed for these groups prior to Proposition 209 and SP-1 (5.8% in 2003 vs. 9.6% in 1995).

Senate Report on Diversity in Graduate Study

Following up on a recent report from the Academic Senate's Graduate Admissions Task Force, the UC Committee on Affirmative Action and Diversity has been asked by the Academic Council to consider the problem of low minority enrollment in UC's graduate and professional schools. A report and set of recommendations are expected by the end of the current academic year.

5. UC-MANAGED NATIONAL LABORATORIES. Last April, Secretary of Energy Spencer Abraham announced that the Department of Energy, for the first time, would put the contract to manage Los Alamos National Laboratory out for competitive bid. This past fall, Congress passed, and the President signed into law, legislation requiring Los Alamos, Livermore, and Berkeley National Laboratories to be put out for competitive bid. In February, the Department of Energy issued a statement saying that it will compete management and operating contracts for the three labs. The Department expects to have the contract in place for Berkeley Laboratory by January 31, 2005, and the contract in place for Los Alamos by September 30, 2005. No timeline information was provided regarding Livermore's competition. On January 30, the University signed a one-year contract extension, through January 31, 2005, to continue managing the Lawrence Berkeley National Laboratory on behalf of the Department of Energy.

A decision as to whether the University will compete for continued management of the laboratories is a decision that will be made by the Board of Regents. While The Regents have not made a decision, they have authorized the University to prepare as if it will compete. UC continues to take aggressive action to ensure that strong and effective business and management practices are in place at the labs. In addition, the University established a Laboratory Management Council. The Council will leverage the professional skills, expertise, experiences, and manpower already available in UC's functional organizations to enhance effective and efficient operation of the national laboratories. The University is also creating a National Security Laboratories Board of Directors that will have broad authority, including the approval of annual performance appraisals and salaries of laboratory directors and senior managers; the approval of major policies and organizational structures; the establishment of performance standards; the monitoring of performance; and the ability to recommend to The Regents the hiring and firing of laboratory directors. Finally, UC has begun discussions with industrial partners that would like to team with the University to strengthen business and operations at the Los Alamos and Livermore national laboratories. These discussions are ongoing.

Lawrence Livermore National Laboratory

Science and Technology

The National Ignition Facility (NIF) transitioned from construction to a science project last year when it completed "early light," a demonstration of the full system's performance on a per beam basis for the first quad of four beam lines. NIF set a world record for laser performance by producing 10.4 kilojoules of ultraviolet laser light in a single beamline.

The Laboratory's Homeland Security Office took shape with key appointments and increased staff. As part of a homeland security effort, Biowatch, a biodetection system developed by

Lawrence Livermore and Los Alamos National Laboratories, was deployed in cities across the United States. Also, the Lab opened its Radiation Detection Center, which is producing a number of radiation detection devices.

Following on the success of its radiation detection work, the Laboratory signed an agreement with ORTEK, a Tennessee-based firm, to mass produce the Lab's RadScout detection technology for use at border patrols, highway patrols, posts offices, airports, and more. Prototypes are currently being tested.

Business and Operations

The Lab, along with Sandia-Livermore, began controlled access of East Avenue, formerly a public roadway, as a way to further enhance security for both facilities. The Laboratory also unveiled a new Integrated Pay and Performance Management System to provide a more consistent approach and provide greater equity to performance management issues across all directorates.

Director Michael Anastasio appointed David Leary to head Safeguards and Security. Leary's primary task is to introduce change agents and install seasoned managers to further enhance physical security and concentrate on protective force issues. These efforts continue to earn the Laboratory praise from DOE for its security.

Lawrence Berkeley National Laboratory

Science and Technology

Serving as one of five new national centers for nanoscience, the Berkeley Lab recently broke ground for the Molecular Foundry, a six-story, 94,500 square-foot building which will provide researchers with the knowledge and tools needed to reach new frontiers in nanoscale research and its practical applications, including such recent Berkeley Lab discoveries as the world's smallest synthetic motor built of carbon nanotubes, a nanoscale hybrid semiconductor/solar cell, and a new type of nanotube made of gallium nitride, projected to be the next important semiconductor after silicon.

Life Sciences researchers are taking structural DNA studies to a new level using an Advanced Light Source beamline to perform x-ray crystallography to study proteins in their natural environment, one reason the National Cancer Institute's multidisciplinary 11-institution program in Structural Cell Biology of DNA Repair Machines is based at the Berkeley Lab. In addition, acquisition of genetic material from the whole biosphere—from boiling geysers to polar wastes—followed by high-throughput sequencing and computational analysis at the Joint Genome Institute, continually add to a growing catalog of Earth's diverse microbes. Among the catalog entries: new sources of antibiotics and other medical applications, new ways to make fuels, and new agents for cleaning up the environment that can devour petrochemicals, heavy metals, and other toxins.

Berkeley Lab's National Energy Research Scientific Computing Center (NERSC) doubled the capacity of its IBM supercomputer, named "Seaborg," to a peak speed of 10 teraflops, becoming one of the world's most powerful computers, serving thousands of researchers worldwide. Scientific communication throughout DOE also dramatically improved with the upgrade to 10-gigabit capacity of the backbone network of the Energy Sciences Network (ESnet). As DOE's flagship facility for unclassified supercomputing, NERSC was chosen by the Office of Science to provide 4.9 million computing hours for a new program, titled Innovative and Novel

Computational Impact on Theory and Experiment (INCITE), which includes three large-scale research projects that are expected to advance significantly our understanding of the makeup of the universe; the chemical processes by which plants convert sunlight to energy while removing carbon dioxide from the atmosphere; and the turbulent forces that affect everything from weather to industrial processes.

Business and Operations

Director Charles Shank authorized the addition of a Business Services Division to his senior management team, and he named David McGraw its first director. The organizational change was part of a concerted effort to tighten business practices and reduce risks to the Laboratory and to the University of California. A comprehensive assessment included both financial and property audits, in conjunction with UC and Department of Energy officials; the addition of Chief Financial Officer Jeffrey Fernandez to strengthen staffing capabilities and program efficiencies; and a new “ProCard” purchasing system for low-value procurement with fewer authorized users and strengthened management oversight. The Laboratory’s Internal Audit Program reviewed business processes and made recommendations to improve the efficiency and effectiveness of those processes. Auditors also assessed the adequacy of controls in place to safeguard the Lab’s assets while ensuring the accuracy of the financial information.

Los Alamos National Laboratory

Science and Technology

Scientists at Los Alamos National Laboratory captured eight of *R&D Magazine*'s 2003 “R&D 100 Awards,” more than any other Department of Energy laboratory. Recent science and technology highlights at the Laboratory include:

- Made the first global map of hydrogen distribution on Mars based on data from Los Alamos' neutron spectrometer instruments aboard NASA's Mars Odyssey spacecraft.
- Made the first discovery that deuterium, a naturally occurring stable isotope of hydrogen, concentrates itself in molecular hydrogen in a key layer of the atmosphere. The finding lends important insight into the natural cycle of molecular hydrogen and could have ramifications for the use of hydrogen as an alternative energy source.
- Launched an Internet-based Hepatitis C Virus genomic sequence database similar to the existing human immunodeficiency virus (HIV) database, which is expected to become an important tool for Hepatitis C researchers worldwide.
- Developed a manufacturing method to produce low-cost superconducting materials. The discovery could lead to cheaper machines since with the new conductor the cost of wire used in a typical magnetic resonance imaging (MRI) machine's magnets could be reduced to less than one third the current cost.

Business and Operations

UC, Ernst & Young, the DOE Inspector General’s Office, and others reviewed the Laboratory's expedited procurement methods, including the purchase card program. Los Alamos also performed its own independently validated review of these procurement methods. These evaluations allowed the Laboratory to make a number of improvements that addressed weaknesses or potential vulnerabilities in procurement processes.

At the beginning of 2003, the Laboratory began its wall-to-wall inventory of the more than \$1 billion of property—more than 79,000 items ranging from palm-sized personal data assistants to room-sized scientific gadgets. When completed in the fall of 2003, the inventory had located 99.66 percent of Laboratory property (property physically touched and catalogued; existence verified through affidavit in some cases of offsite property), an achievement that merited an

"excellent" rating for property management from the National Nuclear Security Administration. Not only was the Laboratory able to account for an excellent percentage of property on its current property rolls, as the Laboratory proceeded with its 2003 wall-to-wall inventory, inventory specialists also located hundreds of items that previously were listed as "missing." PriceWaterhouseCoopers—an outside, independent company—validated the Laboratory's inventory findings.

6. CONSENSUAL RELATIONSHIPS AND SEXUAL HARASSMENT POLICIES. The new systemwide Policy on Conflicts of Interest Created by Consensual Relationships, which deals with consensual relationships other than faculty-student relationships under the Faculty Code of Conduct, has been completed and will be discussed at the March 2004 Regents' meeting. The policy requires an individual who is in or enters into a consensual relationship with someone over whom he or she has power or authority to eliminate any potential conflict of interest with regard to his or her professional responsibilities. The policy also bans relationships between certain individuals (such as senior manager, coach, direct supervisor) and a student because of the unequal institutional power inherent between them. The review of the systemwide policy on sexual harassment and the procedures for responding to reports of sexual harassment has been completed and the policy and procedures have been updated to conform to changes in State and federal law regarding sexual harassment, to clarify existing policy, and to create more consistent procedures on each campus for responding to sexual harassment.

7. ELIGIBILITY AND ADMISSIONS STUDY GROUP. In October 2003, I appointed a 17-member Eligibility and Admissions Study Group, comprised of Regents, chancellors, faculty, administrators, and students, to examine the undergraduate eligibility and admissions implementation issues that the University will continue to face as demand for a UC education grows in a time of constrained resources. Co-chaired by Regent Joanne Kozberg and Senior Vice President for University Affairs Bruce Darling, the Study Group was charged with advising the Academic Senate and the Board of Regents—bearing in mind "the historic tradition of shared governance in which admissions is the prerogative of the faculty"—on the following topics:

- Eligibility policies and criteria and related issues related to the forthcoming California Postsecondary Education Commission (CPEC) eligibility study (to be released in May).
- Implementation of existing Regental eligibility and admissions policies.
- Methods to achieve greater efficiencies in UC's admissions policies, including ways to communicate with the public more clearly about eligibility criteria, selection practices and admissions policies.

The Study Group has now met five times and is completing its report of findings. I expect to bring its findings to the full Board of Regents for discussion at its March meeting. (For more information, go to: <http://www.universityofcalifornia.edu/news/compreview/update.html>)

8. UNDERGRADUATE ADMISSIONS – FALL 2004. While a record number of California transfer students applied to the University of California for Fall 2004, for the first time since Fall 1993, fewer freshmen applied to UC than did so in the year before. UC received a total of 98,658 on-time freshman and transfer applications for Fall 2004, a 1.3-percent decrease from the 99,991 undergraduate applications received for Fall 2003.

Prospective freshmen filed 73,794 applications, 4.1 percent fewer than the 76,931 recorded for Fall 2003. On the other hand, UC received 24,373 transfer applications for Fall 2004, up 5.7 percent from the 23,060 received for Fall 2003. California resident transfer applications rose by

12.9 percent, while out-of-state and international transfer applicants dropped by 14.2 and 56.1 percent, respectively.

This is the third year that UC has experienced a systemwide decline in out-of-state and international freshman applications. Out-of-state transfer applications also have declined since 2001; international transfers declined compared to last year. A record 84 percent of the applications were filed online, compared to 68.4 percent last year.

Under the governor's proposed budget, the University, for the first time, will not be able to offer a place somewhere in the system to all eligible students. In past years, in order to fulfill the University's obligation under the Master Plan, eligible California resident students who were not admitted to campuses of their choice received a freshman admission offer from another UC campus, a process known as referral. This year, due to lack of State funding, these students will be redirected to a California Community College and guaranteed admission to a specific UC campus provided they complete the required lower-division coursework. UC has been asked to reduce freshmen enrollment by 3,200 students.

CPEC Eligibility Study

The California Postsecondary Education Commission (CPEC) periodically conducts a study to estimate the proportion of public high school graduates who meet the admission requirements for the University of California and the California State University. The study provides the basis for determining whether the proportion of students who are eligible for admission is consistent with the guidelines in the Master Plan. CPEC currently is conducting an eligibility study based on June 2003 California public high school graduates. The findings will be released in May 2004. In preparation for this release, the Board of Admissions and Relations with Schools (BOARS) is developing a set of recommended principles that will guide the discussion of future eligibility requirements for freshman applicants, as needed. It is expected that BOARS will provide policy recommendations to the Academic Assembly and The Board of Regents no later than Summer 2004.

Dual Admissions Program

Last year, the University launched a new path to UC for high school students, the Dual Admission Program (DAP). Under DAP, ineligible students who fell between the top 4 percent and 12.5 percent of their high school graduating class would have received a guaranteed offer of admission from a specific UC campus, provided they agreed to successfully complete a transfer program at a California Community College. The governor's proposed 2004-05 budget, however, eliminates funding for DAP. Moreover, the budget includes a proposed reduction in freshman enrollment, and asks UC to redirect 10 percent of its eligible freshman applicants to the community colleges, deferring their UC enrollment until they attain junior-level standing.

It is expected that DAP will be held in abeyance for a number of years, although UC campuses will serve those students who applied to UC for admission to DAP during the Fall 2004 application cycle. These applicants will be receiving offers of guaranteed, deferred admission from UC campuses beginning in March. The campuses will provide each of these students with an academic contract, describing the courses that must be completed and the grades that must be earned to successfully transfer from the community college to UC. In addition, these students will have access to UC advising services to guide their academic progress. The admission letter these students receive will direct them to a website that provides detailed information and personal contacts for questions.

9. CALIFORNIA HOUSE, LONDON, AND MEXICO CITY.

California House, London

California House, London, continues to serve as the headquarters for two UC faculty members who direct the extensive UC Education Abroad Program (EAP) programs in the United Kingdom and Ireland. An internship program for EAP students in the UK was initiated last year.

California House also is the venue for recent UC alumni events held in the United Kingdom and it assists the campuses in planning for events held elsewhere in London. (There are approximately 6,000 UC alumni in the UK, with many living in the Greater London area.) The University continues to use California House as a base for exploring collaborative research efforts involving UC faculty and faculty at British universities. UC campuses received more than \$2.4 million in private gifts and grants from the UK last year and another \$2.9 million in private contracts.

California House, Mexico City

A California House in Mexico City ("Casa de California") has been acquired and upon completion of renovations later this year, will be occupied by EAP, UC Institute for Mexico and the United States (UC MEXUS), and other UC offices. The facilities will include classrooms, conference rooms, and offices, which can be made available for a variety of UC activities and functions by other UC units. Academic partners in Mexico, including CONACYT (Mexico's equivalent of the US National Science Foundation), the National Academy of Science, and leading Mexican universities will use the facility to facilitate further the collaboration of American and Mexican academic communities.

10. CLERY ACT. The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) requires colleges and universities receiving Title IV funds through the federal Department of Education to report annually on crime statistics and prevention programs and procedures. The California State Auditor conducted an audit of the Clery Act annual reports that had been prepared for 2002-03 by the Davis and Santa Barbara campuses. The audit generally found that both campuses had complied with the overall requirements of the Clery Act.

11. CODE OF CONDUCT FOR TRADEMARK LICENSEES. A Standing Committee for the UC Code of Conduct is currently being formed. This Committee will advise on issues associated with the licensing and manufacturing of apparel bearing UC logos and trademarks, and will review the effectiveness of monitoring and enforcement of compliance with the UC Code. It is expected that the first meeting of the Standing Committee, which will include representatives from the faculty, students, and administration, will occur sometime in Spring 2004.

12. CONTRACT AND GRANT ACTIVITIES/RESEARCH ADMINISTRATION.

Annual Growth in University Extramural Award Funding

The total extramural support systemwide for research, training, and public service activities for fiscal year 2002-03 increased about 8 percent over fiscal year 2001-02. The major increases were in federal funding (by 15 percent), foundation funding (by 43 percent), and awards from other higher education institutions (by 21 percent). As anticipated, declines occurred in funding from the State of California (by 19 percent), other government (by 5 percent), business (by 16 percent), charities (by 16 percent), and UC award program funding (by 3 percent). It is expected that funding from these sectors will continue to decline this fiscal year.

Employee Citizenship and Background Check Requirements

Campus Sponsored Projects Offices are finding an increasing number of proposal applications and award documents, particularly from federal agencies, that request information about the citizenship or nationality of all University employees working under a funded award. In addition, some federal agencies, such as the National Institutes of Health, are implementing information technology security procedures in their grants and contracts that require security background checks on University researchers and information technology staff involved in the funded project.

The Office of Research Administration is working with campuses, the Office of General Counsel, the federal agencies involved, and the Council of Governmental Relations on these issues. Under both federal and State laws, the University has restrictions on its release of certain employee information such as citizenship, visa status, and date of birth.

13. EDUCATIONAL DOCTORATE AND EDUCATIONAL LEADERSHIP. Three joint Ed.D. programs have been approved and have enrolled their first students in the summer and fall of 2003, with the support of Joint Ed.D. Board Implementation Grants. These include:

- UC Berkeley Joint Ed.D. in Educational Leadership with CSU Hayward, San Francisco State University, and San Jose State University;
- UC Irvine Joint Ed.D. in Educational Administration and Leadership, with CSU Long Beach, CSU Los Angeles, and Cal Poly Pomona (a plan to add CSU Fullerton is currently under review by CCGA); and
- UC Santa Barbara Joint Ed.D. in Educational Leadership with Cal Poly San Luis Obispo.

UC Berkeley enrolled its first cohort of 12 students in Fall 2003. UC Irvine enrolled the first cohort of 20 students for the July 2003 summer session. Of those students, six each are affiliated with CSU Long Beach and CSU Los Angeles, four are affiliated with Cal Poly Pomona, and four expect to be affiliated with CSU Fullerton, upon CCGA approval of the proposal for adding that campus. UC Santa Barbara enrolled 7 students for the Fall 2003 quarter—less than the planned cohort of 15 students due to a delay in approval of advertising.

Four additional joint Ed.D. program initiatives have received program development grants and are in the review phase, with the expectation that they will be approved to enroll students by Fall 2004. All programs are being designed to accommodate the needs of working professionals, and they are the first programs to be implemented in response to the joint Ed.D. agreement memorialized by the Legislature in SCR 93 (Alpert). The Joint Ed.D. Board is making every effort to ensure that development and implementation grant funding continues to be available, and that particular regional needs are met.

14. EDUCATION FEE WAIVER. While this proposal still has little likelihood of being implemented in the near future due to the current State budget situation, the Academic Council, after consultation with UC's Faculty Welfare Committee, is considering support for a new proposal for a phased approach over the next few years. The proposal is being analyzed currently for cost and tax implications by the Office of the President. The new proposal would change the eligibility requirements (including beginning with benefits only for faculty), add dependents of decedents and annuitants, and gradually increase the number of faculty eligible for the fee waiver and the amount of the fee waiver.

15. EXTERNAL DEBT RESTRUCTURING. Recognition of the trend of growing non-State

revenues allowed the University to effect a major change in its external debt structure in early September 2003. Rather than pledging only revenue streams for specific projects to support the debt service on UC bonds, The Regents will now be pledging a basket of non-State, unrestricted revenues to support the debt service on these new General Revenue bonds. This change has resulted in the University being viewed as a much stronger credit in the bond market, resulting in stable credit ratings, greater debt capacity, and lower interest costs.

16. FACULTY INSTRUCTIONAL ACTIVITIES. In July 2003, the Task Force on Faculty Instructional Activities produced two reports:

1. *Describing and Reporting Faculty Instructional Activities* suggests a new approach to reporting faculty teaching activities in a way that reflects the special features of a research university experience for students and the different modes of teaching in which faculty are engaged; and
2. *Faculty Instructional Responsibilities: Guidelines for Departmental Policies* places the locus of responsibility for teaching activities squarely on the department as a collective whole and recommends new processes to monitor comparability of efforts within disciplines and strengthen oversight.

Provost King appointed an Implementation Task Force to consider campus and Senate comments on the recommendations in the two reports, and to provide oversight for the development and practical assessment of the proposed new reporting approach. The Implementation Task Force has refined the first task force's recommendation regarding a reporting method and developed a new Universitywide taxonomy of faculty instructional activity types.

Each campus has been asked to classify all General Campus courses into the proposed 18 instructional types and to identify the classes in each type that were offered in 2002-03, using both the previous method of counting courses (primary classes and independent studies) and the new method. The Implementation Task Force will address issues that arise during the categorization and counting of courses, and the Task Force members will compare the results of the old and new reporting methods to assess whether or not the new approach better represents what faculty do and students experience.

17. GREEN BUILDING POLICY/CLEAN ENERGY. In July 2003, The Regents adopted a policy that authorized the president to incorporate the principles of energy efficiency and sustainability in the planning, design, and operation of facilities at the University of California, within budgetary, regulatory, and programmatic constraints. The Regents further instructed the president to implement programs to reduce consumption of non-renewable energy through energy efficiency, use of local renewable power, and green power purchases, with the intent of minimizing increased use of non-renewable energy in the University's built environment. The president will provide an annual report to The Regents that examines impacts on energy utilization and building design, as well as the effects of the policy on capital and operating costs. The Office of the President and the campuses are currently developing implementing procedures for this policy. A steering committee is chaired by Senior Vice President Joseph Mullinix and is comprises faculty members, key State government officials, and campus and Office of the President representatives from facilities operations, design and construction, budget, and administration.

In April, Senior Vice President Mullinix presented to The Regents' Grounds and Buildings Committee a status report on the steering committee's activities, including a recently completed

feasibility study. A Regental policy will be presented for approval at the June meeting of the Grounds and Buildings Committee, along with a proposed presidential implementation policy and the feasibility study. The proposed Regental policy will recommend that the University adopt the principles of energy efficiency and sustainability for all aspects of the University's built environment, along with goals for reducing the use of non-renewable energy in current and future University facilities.

18. HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is a federal law that mandates significant changes in the legal and regulatory environment governing the privacy and security 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 compliance date of April 14, 2003, for the HIPAA privacy rule applied to all University covered entities, including health care providers, self-funded health plans, and those business and finance units that provide services to the covered entities. At the May 2003 meeting of the Board of Regents, Maria Faer, University HIPAA Privacy Officer, and Senior Vice President Joseph Mullinix assured The Regents that the University had met the April 2003 requirements of the HIPAA Privacy Rule, but that sustaining compliance with the rule was an ongoing responsibility of all members of the workforce. Since April 2003, The University's HIPAA Taskforce, which includes the HIPAA Privacy Liaisons at all UC campuses and health sciences centers, continues to provide assistance to faculty and staff as they address the operational challenges and compliance questions raised by HIPAA.

19. HEALTH SCIENCES FACULTY RETIREMENT PROPOSAL. In November 2003, a proposal for improving retirement benefits for health sciences faculty was distributed to the Chancellors and campus/medical site personnel for review. Specifically, they were asked to comment on whether or not a mandatory defined contribution plan (DC plan) benefit should be implemented that would be funded from the same sources that provides health sciences faculty's additional compensation (i.e., salary above base pay covered for the UC defined benefit plan). Based on a consensus of comments from the locations, it appears that no changes will be pursued at this time. Among other reasons, almost all campuses felt that a mandatory DC plan contribution would pose a burden on limited departmental resources and could possibly result in a salary reduction for health sciences faculty whose additional compensation is derived from clinical income. Additionally, many felt that the implementation of a mandatory DC plan contribution was unwarranted in light of the fact that UC will be seeking approval at the May Regents' meeting to adopt a 457 deferred compensation plan, which would also provide faculty with tax-deferral opportunities (but on a voluntary basis). A formal summary of the comments from Provost King and Senior Vice President Mullinix will be issued to the Chancellors shortly.

20. INFORMATION TECHNOLOGY INITIATIVES.

Development of High-Speed/Fiber-Optic Networking in California

The Corporation for Education Initiatives in California (CENIC) is a not-for-profit corporation that provides advanced networking services for the education and research community in California. As a founding member of CENIC, UC was a primary force in the establishment of CalREN, the California portion of Internet2. Owned and operated by CENIC, CalREN supports teaching and research throughout the University with advanced services networks.

A major upgrade to the CalREN network, called the Optical Network Infrastructure (ONI) Initiative, has been completed. This upgrade provides higher speeds and greater Internet

capabilities to campus faculty and researchers. Included in the design is 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. All UC campuses now are using the new fiber-optic CalREN network. The CSU campuses, California Community Colleges, and K-12 node sites will be migrated over to the new network. This migration is expected to be completed this calendar year, except in some cases where construction is necessary.

The Digital California Project is a CENIC initiative seeking to provide CalREN access points in all 58 counties in California in order to extend high-speed Internet connections to the California K-12 public schools. Schools in 56 counties now have the ability to access CalREN; the two remaining counties are expected to obtain access by the end of the calendar year. Approximately 75 percent of the schools in those 56 counties are connected to CalREN. Since the Digital California Project budget was eliminated in the current State budget, opportunities for support and development are under review.

The National LambdaRail (NLR) is a consortium of several major US research universities and research and networking organizations (including CENIC), and Cisco Systems working together to deploy a national optical networking infrastructure to advance network-based applications in science, engineering, health care, and education and to enable innovative research and development into next-generation network technologies, protocols, services, and applications.

Formation of the UC Information Technology Leadership Council

Formed in September 2003, the IT Leadership Council (ITLC) is composed of Chief Information Officers and IT Directors from the Office of the President, campuses, medical centers, and UC-managed national laboratories. The ITLC will work in partnership with UC leadership to articulate goals, strategies, and priorities for investment in and deployment of technology-based solutions that support the University's missions of teaching, research, public service, and patient care. While respecting the essential independence of UC institutions, the ITLC seeks opportunities to address common IT challenges and to advance the collective IT priorities of its constituent organizations. A charter has been developed. Chancellors and Laboratory Directors will formally appoint members to the group. The ITLC replaces the Joint Operations Group (JOG), which had been in existence since 1976.

Protection of Personal Information

Because of the increase in identity theft and computer hacking incidents, the protection of personal information, research data, and other sensitive information has become extremely important. The University has developed a written policy and procedures to respond to recent laws affecting the handling of personal information; it is available at <http://www.ucop.edu/irc/itsec/welcome.html>.

IT Infrastructure Task Force

A systemwide task force including campus Chief Information Officers, Planning and Budget Officers, and Administrative Vice Chancellors has been convened to develop a systemwide framework for assessing long-range resource requirements and investment/funding strategies for information technology infrastructure. The Task Force recognizes that, because of the critical partnership between the IT infrastructure and the fulfillment of the UC mission, there is a compelling need to identify strategic opportunities and to develop planning models that define and quantify UC's IT investment needs in support of teaching, research, and business processes.

21. LABOR RELATIONS. Since the last report to the Academic Assembly in May 2003, the University has reached a two-year agreement with police officers and the Federated University Police Officers Association (FUPOA) and three-year agreements with each of the following: academic student employees, represented by the United Auto Workers (UAW) (including a the agreement to merge the eight local bargaining units into one systemwide unit); lecturers and librarians, represented by the American Federation of Teachers (AFT); and health care professionals, represented by University Professional and Technical Employees (UPTE).

In 2004 the University will be negotiating for full contracts with the following bargaining units and unions: clerical and allied services (CUE), research support professionals (UPTE), technical employees (UPTE), patient care technical employees (American Federation of State, County and Municipal Employees [AFSCME]), and service employees (AFSCME). UC will also seek limited article negotiations with lecturers and librarians (AFT) and police officers (FUPOA). Finally, the University has just concluded a union election with Administrative and Professor (AP) employees. The bargaining unit consists of approximately 13,000 employees in the following job families: student services professionals, administrative professionals; communications services professionals, fiscal, analytic and information technology professionals. PERB has completed counting the ballots deciding the question of whether UC administrative professionals would be represented by the University Professional and Technical Employees (UPTE) union. The majority of voting AP staff voting in the election have chosen not to be represented by UPTE. Overall voter turnout for this election was approximately 70 percent.

22. LIBRARY INITIATIVES. For over 25 years, the University of California libraries, comprising nine campus libraries, together have addressed the challenges of maintaining the breadth and depth of their collections and the quality and relevance of their personal services by pursuing a strategy of ever-more extensive cooperation, collaboration, and resource sharing. In the past, this strategy has led to such critical innovations as the Melvyl Universitywide online library catalog, two regional library facilities that provide low-cost high-quality storage for infrequently-used materials of enduring research value, and the California Digital Library (CDL) with its shared Universitywide digital collections of journals, and reference and indexing databases. Examples of the libraries' continued successes in 2003 include:

- An aggressive response to the increasingly unsustainable economics of scholarly publishing. Exercising their buying power and the University's influence, the libraries have temporarily arrested—in some cases reversed—the price inflation that has been common in the market for scholarly science, technology, and medical journals. Negotiations with Reed-Elsevier recently completed by the CDL on behalf of the UC libraries succeeded in reducing expenditure on print and digital Elsevier journal subscriptions by about 25 percent (from \$10.3 million in 2003 to \$7.7 million in 2004). Raising awareness of the economic crises of scholarly publishing and its devastating impacts on the academy, the libraries have worked extensively with campus-based and systemwide Academic Senate committees to develop programs that inform faculty about the crises and practical actions they can take to help address them.
- Selectively extending the benefits of shared collections to print resources. The University's experience with the shared digital collections developed and supported by the CDL has been highly successful, with holdings expanding in 2003 to more than 9,400 electronic scholarly journals, tens of thousands of electronic books, and more than 250

journal article indexing and reference databases. Building on this experience, the UC libraries are beginning to extend the shared collection concept to their print resources. The overall aim of this initiative is to further optimize the management of and access to information resources for students and faculty by reducing unnecessary duplication, leveraging shared assets (such as the Regional Library Facilities and rapid intercampus information delivery capabilities), and expanding the breadth and depth of information resources available systemwide, while meeting the unique information needs of library users at each campus and enhancing the distinctiveness of each campus library's collections and services.

- Improved services to enable access to print and digital holdings irrespective of their campus location; innovative online scholarly collections; and new and improved websites (see libraries.universityofcalifornia.edu and www.cdlib.org).

23. LONG-RANGE ENROLLMENT PLANNING. For the past several years, the University has been planning for growth to 210,000 general campus FTE students by 2010 based on planning assumptions developed in 1998-99. This target was revised to 216,500 to include already existing summer enrollments and to reflect the one-year delay in opening UC Merced.

Enrollment growth at all levels—freshman, transfer and graduate—has met or exceeded these planning targets so that UC is approximately 12,000 FTE above planned levels. Forecasts beyond 2010 show considerably slowed growth and even steady enrollments, allowing a period of time to catch up with faculty hiring, infrastructure development, and the construction of new facilities.

24. MASTER PLAN REVIEW. A number of recommendations from the 2002 report of the Joint Committee to Develop a Master Plan were placed in implementing legislation last year. The key bills with significant issues for the University are SB 6 (Alpert) on governance, AB 242 (Liu) on faculty issues, and SB 550 (Vasconcellos) on student learning. These bills, stripped of their content, passed to their second house with the understanding that the provisions would be negotiated sometime this year, most likely in a special conference committee of both houses.

However, the State's budget crisis is leading to discussion of a number of key Master Plan principles in both the budget and in new bills that were just introduced at the end of February. Legislative or budget action on restructuring the California Postsecondary Education Commission, student fee policy, enrollment policy, and community college transfer issues are expected.

Accountability Framework for Higher Education

One recommendation in the final report of the Joint Committee to Develop a Master Plan called for creating a new postsecondary accountability framework. The Joint Committee and the California Senate Office of Research created a process for developing an accountability framework for higher education involving national higher education experts, legislative staff, and representatives of the higher education segments. UC Davis Chancellor Vanderhoef served as UC's representative. The group reached consensus on a framework built around four broad educational policy goals and a series of recommended statewide indicators to assess how well California is doing in meeting these goals. The four goals are (1) educational opportunity, (2) participation, (3) student success, and (4) public benefits. Senators Alpert and Scott have introduced a bill (SB 1331) that seeks to establish this framework within the California

Postsecondary Education Commission. UC has been supportive of this effort because it attempts to focus policymakers on the overarching goals for higher education and the state's progress in meeting those goals rather than on segmental inputs.

25. NEW BUSINESS ARCHITECTURE. Driven by substantial budget and student enrollment projection changes since 2000, the New Business Architecture group reconvened in August 2003 to assess the impact of budget cuts on the University's business and administrative operations and to recommend innovative ways to reduce the impact of these cuts while maintaining required levels of service in support of the mission. All business and administrative sectors (e.g., Financial management, Human Resources, Information Technology, Facilities Management, Internal Controls, Purchasing) are actively engaged in identifying process and business model changes, elimination of non-critical work, cost saving measures, and other approaches to addressing current and future fiscal constraints.

26. OUTREACH AND K-12 INITIATIVES. The University's Educational Outreach (EO) programs sustained significant budget cuts in 2003-04, and face the prospect of total elimination of State funding in 2004-05. In addition to efforts directed at restoring State funding for 2004-05, EO is developing new ways to diversify funding sources to stabilize programs and maintain service delivery to students and teachers, and to deepen the engagement of faculty and other educational partners in the provision of academic preparation programs to students.

Faculty Outreach Summit Follow-up

In an effort to increase focus on the current and future role of faculty in outreach initiatives, the Department of Educational Outreach and the systemwide Academic Assembly co-sponsored an all-campus faculty summit in November 2003. Over 115 faculty members attended, participating in workgroups and study sessions throughout the day. The following recommendations from the conference workgroups stood out as being innovative and promising:

- Establish a corporate board to support and advise UC outreach (which might supplant or supplement the existing policy board). This board would provide support in identifying and securing a wider range of external funding for outreach.
- Urge the Academic Senate to establish procedures that more effectively take into account outreach activities in the overall review of faculty performance. One working group said: "Elevate service to something that is recognized as more than a third category. Public service includes community, campus, and profession."
- Establish a new peer-reviewed academic journal that focuses on educational outreach. Such a journal would elevate the importance of this work in the academic world and provide a new forum for the exchange of ideas (and data) related to educational outreach programs.

Faculty and staff are currently assessing these recommendations and developing a plan for moving forward and next steps.

CSAC and CPEC Grants

In addition to individual awards for funding campus outreach initiatives from private donors, corporations, and foundations, a number of UC campuses recently applied for and were awarded a total of \$1.93 million by the California Student Aid Commission (CSAC). These funds will support a three-year initiative intended to increase the number of low-income and underrepresented students who apply for and receive financial aid for college. Those that received awards were UCB, UCLA, UCM, UCR, UCSF, and the UC American Indian Counselor

& Recruiters Association. An additional \$1.2 million was awarded to UCOP to develop the capacity to evaluate high school transcripts electronically with the objective of identifying students in the future who could be eligible for Cal Grants to support higher education.

Several campuses were also awarded a total of \$3.7 million in funding from the California Postsecondary Education Commission (CPEC). These funds, awarded under the federal Improving Teacher Quality State Grants Program, are intended to support the preparation, induction, and professional development of K-12 public and private school teachers in the subjects of mathematics, science, arts, civics and government, economics, foreign languages, geography, and history. Those that received CPEC awards were UCB/Lawrence Hall of Science, UCD, UCM, and UCSC.

Leveraging Resources in Difficult Times

Despite the budget crisis, EO continues to build on relationships with education leaders throughout the state. Conversations with members of the statewide California Education Round Table (CERT) and its Intersegmental Coordinating Committee are ongoing regarding options for coordinated statewide student academic services. With impetus from UC, the CERT is currently reviewing a proposal from the ICC to develop a statewide campaign to pursue “a comprehensive, collaborative, and coherent action agenda” involving all segments of the education community in California.

Another development is a proposal currently under consideration by the Chancellors and me, in the event that all State funds are lost in the next fiscal year. If implemented, this UC systemwide initiative to improve mathematics and science education would represent a collective effort that would complement any ongoing campus programs supported through non-State funding.

27. PRIVATE SUPPORT. Private support exceeded \$1 billion for the fourth year in a row for the fiscal year ending June 30, 2003, although it showed a decline from the prior year. Gifts and grants for capital improvements totaled \$124 million (12.0%) while gifts and grants for endowments totaled \$255 million (24.6%). The balance (63.4%) was for current operations or was unrestricted as to purpose. The health sciences once again received the largest dollar amount of private support at \$534 million.

28. PROPOSED 457(B) PLAN – RECORDKEEPING AND INVESTMENT OPTIONS.

The Regents’ Committee on Investments and Investment Advisory Committee was advised that UC Human Resources/Benefits, in partnership with the Office of The Treasurer, will be soliciting bids from firms that offer recordkeeping and investment education services, in connection with consideration of the feasibility of adding a new 457(b) deferred compensation plan. A 457 plan would expand employees’ ability to save on a tax-deferred basis. As part of this process, UC intends to solicit proposals from qualified firms who could provide external investment options for faculty and staff for a 457(b) plan, with possible further application to UC’s Defined Contribution Plan and Tax-Deferred 403(b) Plan. The primary goal of this project is to review the suitability of any of the external investment options available to UC participants relative to other external options available in the marketplace.

A cross-functional team comprising staff from UC HR/Benefits, the Office of the Treasurer, the Office of the General Counsel, and local campus Benefits Offices have been working with Aon Consulting to develop the request for proposals. The project is being overseen by an internal Steering Committee that includes the Senior Vice President – Business and Finance, the

Treasurer, and the Associate Vice President – HR/Benefits. An extensive consultation and review process has been initiated, including regularly scheduled meetings with UC Faculty Welfare’s Task Force on Investments and Retirement.

29. RETIREMENT BENEFITS FOR DOMESTIC PARTNERS. The University’s retirement plans have been amended such that all survivor benefits for domestic partners are equivalent to those for spouses for annuitants who retired on or after July 1, 2002. The Office of General Counsel is reviewing any effects on UC’s benefits plans and programs of new legislation, effective January 1, 2005, which requires equal benefits for domestic partners.

30. RETIREMENT PLAN DESIGN. In response to financial considerations and to changes in the pension benefits being offered by other private and public employers, including changes proposed in the Governor’s budget for newly hired State employees covered by the Public Employees’ Retirement System, UC HR/Benefits will be exploring the possibility of providing future employees with a new primary retirement plan as an alternative to the University of California Retirement Plan (UCRP).

For *current employees*, the administration is not exploring any changes in UCRP benefits; however, it is likely that contributions will have to be resumed within the next several years.

For *new employees* (hired on or after the effective date of any plan changes that may result from study and extensive consultation), various retirement plan design alternatives are being explored. One alternative would be to reduce UCRP benefit formulas for new employees, which is a strategy recently proposed by the Governor to address PERS funding issues. Another alternative could be to replace the defined benefit pension with a defined contribution plan as the primary retirement plan for new UC employees. Many private and some public employers have adopted this model for newly hired employees. The evaluation will also consider whether it may be appropriate to have different designs for different populations, such as medical center, laboratory or campus groups. The proposed evaluation of plan design alternatives is just beginning and will require extensive consultation and review, including working closely with the Faculty Welfare Committee and its Task Force on Investments and Retirement.

31. SAFETY, SECURITY, AND ANTI-TERRORISM. A systemwide work group made up of a broad spectrum of subject matter experts from the campuses and UCOP has been established to work together to develop an overarching communications and policy structure for how the University approaches its responsibilities in Safety, Security, and Anti-Terrorism and coordinates its responses. The work group will be conducting risk assessments, developing indicators for prioritizing actions, and creating standards for how campuses report their progress and inform each other on their actions. The work group will also develop a budget and resource requirements for ongoing coordination needs and assess the need for a formal organization to provide ongoing support in this area. The scope of this work group will include coordination of actions and planning for business continuity, public safety, environmental health and safety, and emergency preparedness, and to provide a coordination template for campuses, medical centers, and research facilities. Vice Provost for Research Lawrence Coleman and Director of Business & Finance Operations Colleen Nickles are co-chairing the group, which expects to complete its work the end of the calendar year.

32. SEARCHES

Provost and Senior Vice President – Academic Affairs

On February 23, M.R.C. Greenwood, an internationally recognized expert in genetics and nutrition, a national leader in science and higher education policy, and current Chancellor of the UC Santa Cruz campus, was appointed provost and senior vice president of academic affairs, the second highest post in the UC system. Greenwood emerged as the top candidate in a national search that produced more than 60 candidates for a successor to current Provost C. Judson King, who is retiring after eight years in the position and will return to UC Berkeley to become director of the Center for Studies in Higher Education. The committee to advise me on the selection of a new provost represented Regents, Chancellors, faculty, staff, and students.

Under Greenwood's leadership since 1996, UC Santa Cruz has increased the number of academic programs by 52 percent, from 63 to 96, including a 41-percent increase in graduate programs; created its first professional school, the Baskin School of Engineering; established two new residential colleges; more than doubled extramural research support; expanded total student enrollment by approximately 54 percent, with a nearly 50-percent increase in graduate enrollment; hired 250 new faculty members; constructed nearly one million assignable square feet in academic buildings and housing, including 2,800 spaces in new student housing; acquired 50 acres of oceanfront property to expand research opportunities at Long Marine Laboratory; and raised more private donations than the previous total for the campus' entire history.

In October, Greenwood unveiled an historic UC/NASA partnership to create a world-class educational R&D campus focusing on innovation and scientific discovery at the proposed NASA Research Park in the heart of Silicon Valley.

Greenwood received her A.B., summa cum laude, from Vassar College in 1968, and received her Ph.D. from Rockefeller University in 1973. She is a member of the Institute of Medicine of the National Academy of Sciences, and a fellow of the American Association for the Advancement of Science, where she served as president in 1998 and chair in 1999. She has delivered major policy addresses throughout California and in Washington, D.C., and internationally in London, New Delhi, Bangalore, and Seoul. She serves as a board member of leading national professional organizations and has been appointed to a variety of high-level positions advising State and federal government in the areas of science and higher education policy.

Before taking the reins at UC Santa Cruz, Greenwood served as dean of graduate studies, vice provost for academic outreach, and professor of biology and internal medicine at UC Davis. Prior to that, she taught at Vassar College, where she was chair of the department of biology and director of the Undergraduate Research Summer Institute. Previously, she was on the faculty of Columbia University's medical school. From November 1993 to May 1995, while on leave from UC Davis, Greenwood served as associate director for science at the Office of Science and Technology Policy in the executive office of the president of the United States.

As provost, Greenwood will become the highest-ranking woman to hold a UC systemwide post and the first woman appointed to the position. She will oversee academic planning, research, and academic policies for the system. Other units under her supervision will include the Continuing Education of the Bar, Education Abroad Program, educational outreach, UC Press, UC Extension, the California Policy Research Center, and the UC Washington, D.C., Center.

Greenwood will assume her new post on April 1. I have appointed Martin M. Chemers Acting

Chancellor of UC Santa Cruz, pending approval of the Board of Regents at its March meeting. Chemers is internationally renowned for his research and teaching in organizational psychology. A national search will be launched as quickly as possible for a permanent replacement for Greenwood and I expect to have a new Chancellor at UC Santa Cruz by no later than the beginning of the next academic year.

UC San Diego Chancellor

A national search for the Chancellor of the UC San Diego campus began in October 2003. A committee of Regents, faculty, staff, students, alumni, and UC San Diego Foundation representatives was formed to advise me in the search for the next Chancellor. The committee's work is almost completed, and a recommendation will soon be brought to the Board of Regents.

UC Berkeley Chancellor

In October 2003, Robert M. Berdahl announced his intention to step down as Chancellor of the UC Berkeley campus, effective June 2004. Berdahl has served as Chancellor since July 1997. During his tenure, he oversaw an unprecedented rebuilding of the campus, returned the University's library to national preeminence, reorganized campus leadership to improve undergraduate education, and raised private giving to the highest level in UC Berkeley's history. In January, a committee of Regents, faculty, staff, students, alumni, and UC Berkeley Foundation representatives was formed to advise me in the search for the next Chancellor. The committee's work is currently underway and is expected to continue until April.

Lawrence Berkeley National Laboratory Director

In February, Lawrence Berkeley National Laboratory Director Charles V. Shank announced his intention to leave his position by the end of the year. During his tenure, Shank oversaw tremendous scientific growth and achievement, expanding programs in astrophysics, computing, genomics, and nanoscience, and doubling the Laboratory's budget. He joined the Berkeley Lab and the UC Berkeley faculty in September 1989. A national search for his successor has begun.

33. UC CENTER, SACRAMENTO. The UC Center, Sacramento (UCCS) is in the first year of its three-year pilot program phase. In July 2003, Gary Dymski, Professor of Economics and former Associate Dean at UC Riverside, assumed his new post as the UCCS Director. The immediate challenges include: launching the undergraduate experiential learning program; ensuring adequate facilities for the UCCS in its pilot phase; improving the program's visibility within the arena of Sacramento policy-makers and opinion-leaders; and identifying how the program can best link to the University's ongoing policy/research activities.

On January 5, the first undergraduate cohort of "UC Capital Scholar Interns" arrived in Sacramento. The 17 students were drawn from all eight UC general campuses and were placed in internships in a wide range of locations, including the Governor's Office, Assembly and Senate member and committee offices, the California Research Bureau, the Department of Finance, the Air Resources Board, and Legal Services of Northern California. All members of the inaugural class are enrolled in a policy-research seminar. During its pilot phase, the UCCS will occupy a suite in the University's 12th & K Streets building along with a conference room/classroom.

343. UC CONSORTIUM FOR LANGUAGE LEARNING & TEACHING. The UC Consortium for Language Learning & Teaching (<http://uccllt.ucdavis.edu>) enters its fourth year of operation having carried out the following activities during 2003: (1) a professional

development workshop on “Discourse and Culture in Language Study” held at UC Berkeley in June 2003; (2) two outreach workshops for teachers of AP Spanish Literature, one held at the California Language Teachers’ Association annual convention in Sacramento in April 2003 and the other on the UC Davis campus in November 2003; and (3) the awarding of several mini-grants to enhance the Chinese curriculum and another to create a training handbook for heritage language instruction. The Consortium received a prestigious three-year award from FIPSE of \$460,000 from the Department of Education to develop distance-learning courses in Arabic for the UC system (“Arabic Without Walls”), co-sponsored with the National Middle East Language Resource Center (BYU). In late spring, the Consortium will host the second research conference on second language acquisition on the Santa Cruz campus. In his capacity as Consortium director, Robert Blake is serving as the lead UC faculty for foreign languages for the State-funded IMPAC project (<http://www.cal-impac.org>), which seeks to ensure that students transferring from the community colleges to UC and CSU are prepared for work in their chosen major without having to repeat coursework. At present, the Consortium is also pursuing extramural and federal grants in support of Punjabi language instruction at a distance.

35. UC MERCED. With less than 18 months to go until the campus opens in Fall 2005, 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. 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’ reach throughout the San Joaquin Valley.

Academic Plans For Fall 2005

Initially, UC Merced will offer six to nine undergraduate majors in the three schools as follows:

- Social Sciences/Humanities/Arts: Majors include World Cultures and History, and Social and Behavioral Sciences. Areas of focus include psychology, political science, sociology, economics, literature, languages, and anthropology (as well as two areas of special interest, public policy and management). The faculty of these disciplines will also contribute to the World Cultures Institute. As one of the campus’ two initial research institutes, the World Cultures Institute is intended to specialize in issues concerning migration, peoples, and cultures with special emphasis on the San Joaquin Valley. Additionally, the campus is assessing the possibility of adding a business management major option to freshmen with the addition of upper-division coursework in the future.
- Engineering: Majors include Computer Science & Engineering, and Environmental Engineering. Areas of focus include computing, communications, energy and environment. There are several ties to the Sierra Nevada Research Institute, the institute that specializes in natural resources issues of the San Joaquin Valley and the Sierra Nevada range, and opportunities to partner with Lawrence Livermore National Laboratory scientists. The engineering faculty is developing a new undergraduate major in bioengineering that may also be available for incoming freshmen in 2005.
- Natural Sciences: Majors include Biological Science and Earth Systems Science. Areas of focus include biotechnology, biochemistry and cellular biology, ecology and environmental biology, geology and environmental science. This is also an area with potential for partnerships with Lawrence Livermore National Laboratory scientists. The Natural Sciences faculty will also contribute greatly to the Sierra Nevada Research Institute. Additionally, the campus is assessing offering a human biology major option to

both freshmen- and junior-level transfer students.

With the initial academic programs identified, the campus is now working closely with Central Valley community colleges and high schools towards preparing students for admission into these majors. Some majors will be offered at the freshman level only and the campus is finalizing such plans.

Graduate Programs

UC Merced will offer a select number of graduate and professional programs that meet state and national needs for advanced training. Graduate education will be developed and managed by graduate groups consisting of faculty from all three schools with common intellectual interests; emphasis will be placed on cross-disciplinary collaboration. This interdisciplinary approach in both research activities and graduate degree programs will be a guiding principle in academic planning. The campus plans to admit a limited number of graduate students in 2004-05, mainly to accommodate the students who wish to follow their faculty advisors (now UC Merced faculty) and others who are qualified, in the following six emphases: computer and information systems; environmental systems; quantitative biology; world cultures; molecular sciences and engineering; and social and behavioral science.

Faculty Recruitment

To date, Merced has recruited and hired 19 faculty with several more appointments in final negotiations that will be under contract by the beginning of the budget year. The remaining positions needed for opening day to reach a total of 60 faculty are now being recruited.

Campus Physical Development

Campus construction began last October and construction of the initial campus buildings is now well underway. Among the first buildings to be constructed are the Classroom and Office building, the Library and Information Technology Center, the Science and Engineering building, and student housing/dining and recreation facilities.

Budget

Consistent with the last several years, the Governor's Budget again provides one-time funding to allow the Merced campus to continue its preparations to open the campus by 2005. These funds are needed for faculty start-up costs and to help establish the systems and core infrastructure needed to ready the campus for its opening in 18 months. The \$2.7 million provided increases to \$10 million the amount of one-time funds provided for this purpose. However, this is significantly less than the campus had requested for 2004-05. As a result, the campus has developed a new plan that will require delay in hiring some faculty and in phasing in of some academic majors to reflect the lower amount of funding provided. Nevertheless, the campus is still on track to open with approximately 1,000 students in 2005-06.

36. UC WASHINGTON, D.C., CENTER. The UC Washington, D.C., Center (UCDC) is completing its third year of operation in its new 11-story mixed use facility with eight floors of residential and three floors of academic, research, and administrative space. To date, approximately 2,300 UC students from all eight UC general campuses have participated in experiential learning opportunities with internships, elective classes, and research seminars. Students are selected through campus-based programs and come to Washington D.C. for a semester/quarter in their junior or senior year. Visiting faculty teach students in research seminars or small classroom settings, while having unparalleled access to research venues

located in and around the Capital Beltway. Graduate fellows from all the campuses provide teaching support for the research seminars and come for one to three or more years to teach and do research in Washington, D.C. The campus programs are individually designed, with some campuses supporting full-time faculty program directors and program administrators on site. On every campus, staff recruit students and provide the administrative support to select faculty, process housing contracts, and work with campus registrars for course registration, grading and academic credit.

In addition to the academic component of the Center, the facility serves as home to Federal Governmental Relations and other administrative and research units. It supports conferences and events for all of the UC campuses and offers an extensive array of technologies that include multi-media, network, high-speed Internet capabilities, and video-conferencing.