

**PRESIDENT ROBERT C. DYNES
DISCUSSION TOPICS FOR THE MEETING OF
THE ASSEMBLY OF THE ACADEMIC SENATE
WEDNESDAY, OCTOBER 11, 2006**

AGRICULTURE AND NATURAL RESOURCES

Vice President--Agriculture and Natural Resources W.R. "Reg" Gomes was recently named to a two-year term as chair of the Board on Agriculture and Natural Resources (BANR). The Board is a major program of the National Research Council of The National Academies. The 20-member board is responsible for organizing and overseeing studies on agricultural production and related areas including forestry, fisheries, wildlife, and land and water resources, with a focus on policy formulation, technological assessment, research and development, manpower, funding, and emerging issues and problems. In October, Vice President Gomes will represent the Board in a three-day leadership summit convened by The National Academies in Washington, D.C. to bring together educators, employers, and students to explore how universities can more successfully attract, retain, and prepare a diverse student population for careers in agricultural, environmental, and life sciences.

After the summit, a report will identify opportunities and mechanisms to effect change in undergraduate and graduate programs to ensure that the preparation of new graduates is consistent with the demands and realities of the food and fiber system, and its related fields, in the 21st century. Before being appointed chair, Vice President Gomes served two three-year terms as a BANR board member. More information on the Board on Agriculture and Natural Resources is available at: <http://dels.nas.edu/banr/index.shtml>.

BUILDING PUBLIC SUPPORT FOR UC

The University of California is embarking on the next phase of its support-building strategy, which demands a far more extensive, coordinated, and sophisticated effort than has ever been attempted by the University. Its proposed elements include:

- a vigorous free media program that is equal parts proactive and rapid response, including a very strong ethnic media component;
- a dynamic alumni organizing program, targeted to its base of 1.4 million living alumni;
- a focused effort to build a CEO network, geared to California's top corporate leaders;
- tailored support-building programs targeted to potential allies among the University's internal (i.e., faculty, staff, retirees, current and prospective parents, and students) and external (local business, community and ethnic leaders) constituencies;
- strategically involving individual Regents in key external issues and support-building; and
- a compelling message designed to inspire broad support from Californians and built on a platform that reflects the University's core values: those attributes and aspirations that are common to the campuses, schools, departments, and the system.

This is an ambitious strategy that will require the united support of The Regents, the University leadership, the faculty, campuses, medical centers, national laboratories, and all their affiliates. It is designed to create the infrastructure for meeting, strategically and collaboratively, the support-building needs of The Regents, the Office of the President, and the ten campuses.

California Community College Transfer Initiative

California Community College (CCC) Chancellor Drummond and I developed a new transfer initiative at Speaker Núñez's request. The focus of the effort will be on community colleges with high numbers of educationally disadvantaged students but historically low transfer rates to UC. Speaker Núñez's AB 1452 sought to create a financial aid component of the initiative by creating an endowment that would combine State funds with campus fundraising efforts. That element of the initiative was not funded in the budget, and the bill did not pass.

However, the legislature did augment UC's academic preparation funding in the State budget by \$2 million for the other elements of this new transfer initiative. With these funds, UC will develop a comprehensive system of improvements to identifying and advising potential transfers, particularly in the colleges targeted by the initiative.

Some of the key elements in the overall transfer initiative include transfer enrollment targets, joint networks with targeted community colleges, pre-transfer preparations programs for identified students, "transfer guarantee" programs, and earlier notification of admission to UC for CCC transfer applicants. One major element would be a new virtual Transfer Center that would be a sophisticated, student-friendly Web site with up-to-date tools for lower division course work planning, from entry to community college to baccalaureate graduation.

Proposition 1D

The Board of Regents has endorsed the Kindergarten-University Public Education Facilities Bond Act of 2006, which would provide much needed funding for K-12 and higher education facility needs over the next two years. If approved by California voters as Proposition 1D on the November 7th ballot, these general obligation bonds would provide a total of \$10.4 billion. UC would receive \$345 million per year for facilities programs and an additional \$200 million over the two-year period to expand the University's medical schools and enhance its telemedicine programs throughout the state.

The bond measure would fund construction and renovation of UC facilities to address enrollment growth, seismic and life safety needs, and renewal of outdated infrastructure. The capital funds would also allow UC to continue building out its new campus in Merced, which is central to keeping our promise of educational access to the youth of the San Joaquin Valley and throughout California. Unique to this bond measure is that \$200 million has been earmarked for medical education.

For the past four decades, the State has provided funding for UC facilities and infrastructure needs through such bonds. California voters approved similar measures in 2002 and 2004 (Propositions 47 and 55), from which UC received approximately \$345 million annually for four years. Proposition 1D is one of five infrastructure bonds put on the November ballot by the Governor and the legislature.

UC is supporting Proposition 1D through Californians for Higher Education, a consortium of the three public higher education segments. The campuses all have also launched an extensive informational campaign to better inform voters about the bond's benefits to UC. A Web site has been developed to provide full information on the bond, including the legal guidelines governing UC's informational efforts, UC projects that would benefit from the bond, and ballot arguments both for and against its passage. It can be found at: <http://www.universityofcalifornia.edu/news/prop1d/>.

GOVERNMENT RELATIONS

State Government Relations

The 2005-06 State legislative session came to a close a little after midnight on August 31. Following the November 7th election, legislators will return to Sacramento for an organizational session on Monday, December 4, and will begin the new two-year 2007-08 legislative session on Wednesday, January 4, 2007.

In the 2005-06 legislative session, legislators sent the Governor nearly 1,200 bills, most of those headed to his desk in the closing days of the session. The Governor had until midnight on September 30 to sign or veto bills. In the end, the Governor signed 910 and vetoed 262 bills, a 22 percent veto rate. Most bills will take effect on January 1, 2007, unless they include an urgency clause, which enables them to take effect immediately.

UC Requested Two Vetoes of the Governor; Received Only One

While the University was interested in many of the bills on the Governor's desk, two of them were especially worrisome, and we requested the Governor's veto of them. They were AB 2951 (Goldberg), which relates to capital facilities fees levied by municipal utilities, and AB 2927 (Leno), which relates to alleged violations of the California Public Records Act (CPRA).

Despite a comprehensive advocacy effort from the entire education community, including the University, the Governor signed AB 2951. The bill is estimated to cost UC at least \$8.5 million in additional utility charges annually. AB 2951 changes existing law by repealing portions of a 1988 legislative compromise that dictates how public utilities may collect capital facilities fees from public agency customers such as UC, other public education institutions, and state and local government entities. In short, this change gives public utility districts unilateral ability to legally embed a disproportionate share of capital costs in the monthly utility bills of public agency customers, even if the associated infrastructure does not serve them.

On the positive side, the Governor vetoed Assembly Member Leno's AB 2927 concerning public records. This bill would have allowed those requesting public information from State and local agencies to obtain awards of \$100 per day, not to exceed \$10,000, for violations of the CPRA. The University asked the Governor to veto the bill because we believe it would have created a potential financial incentive for individuals to submit multiple, complex CPRA requests. The bill also would have provided an incentive for these individuals to file potentially frivolous litigation in an effort to pursue the monetary awards established by the bill. For example, a multi-part, complex request requiring detailed coordination across UC's ten campuses, five medical centers, and three national laboratories might result in increased time to complete the response, especially in view of differing record-keeping systems at each location.

Update on 2006 University-Sponsored Legislation

Two University of California-sponsored bills were signed by the Governor recently. They were among the University's top priorities this legislative session:

- **SB 667 (Migden):** This bill authorizes UC San Francisco to test for five years the best-value method of contracting. The bill also asks UC to submit a progress report to the legislature after three years. SB 667 was introduced as a comprehensive streamlining and modernization measure that would have increased UC's competitive bid thresholds and authorized the use of the best-value throughout the system, providing a more efficient and effective use of UC's capital funds. The program would have allowed the University to consider a wide range of factors concerning a contractor's ability to perform, not just the lowest bid price. During the legislative process the author removed the threshold increases and narrowed the bill to conduct a best-value test at UCSF to evaluate the method's effectiveness.
- **SB 1520 (Ducheny):** SB 1520 ensures that the UC health system can effectively implement the Medicaid hospital finance waiver. The bill passed the legislature without a single opposing vote. SB 1520 clarifies that the University's academic medical centers comprise a system for purposes of the hospital finance waiver, and allows UC to redistribute Medicaid funds among its hospitals. Enacted by the legislature last year, the hospital finance waiver ensured that safety net hospitals, such as our academic medical centers, could maintain health care services for the poor and uninsured.

Finally, none of the compensation-related bills affecting UC reached the Governor's desk this year. Two compensation-related bills followed closely by the University died in fiscal committees. These included:

- **SB 1181 (Maldonado):** This bill would have required UC, California State University and the California Community College Chancellor's Office to report on the total compensation provided to their senior executives. Although not identical, SB 1181 was similar to reporting language adopted in the Budget Act. The University had asked legislators to ensure that SB 1181 was consistent with State budget language. SB 1181 was held in the Assembly Appropriations Committee.
- **AB 775 (Yee):** This bill would have required all discussions and actions taken by the UC Board of Regents or its subcommittees concerning compensation for the University's top 22 executives to occur in open public session. Currently, State law requires The Regents to act on executive compensation in open session of the full board. In addition, the bill would have required all University advisory committees that include one or more Regents, including the UC President, and that have a regular meeting schedule or defined subject matter to meet in open publicly noticed sessions. The University opposed the bill, which died in the Senate Appropriations Committee in mid-August. Assembly Member Yee, who is expected to easily win election in November to the Senate seat currently held by termed-out Senator Jackie Speier, has indicated that he plans to introduce similar legislation again next year. Further, Assembly Member Yee indicated that his next legislative proposal, would also include the California State University, in addition to UC.

Federal Governmental Relations

FY 2007 Federal Appropriations Are Delayed

Congress recessed at the end of September to allow legislators to tend to their re-elections. They are leaving without having passed the majority of the annual spending bills needed to keep the government in operation when the federal fiscal year for 2007 began on October 1; therefore, Congress passed a continuing resolution that allows federal agencies and programs to operate until November 17 at a budget level that is the lowest number in the pending House or Senate bill or the FY 2006 level. Congress is expected to return for one week in November to work on appropriations bills and other unfinished legislative business and, in all likelihood, will return again in December. Until the appropriations bills are passed and signed, affected federal agencies will not be allowed to commit funds for any new starts.

American Competitiveness Initiative (ACI)

The American Competitiveness Initiative is among UC's highest federal priorities. The ACI, which builds on the Gathering Storm report of the NAS, is part of the Bush Administration's FY 2007 budget proposal. In addition to focusing federal efforts on improving math and science education at the K-12 level, the ACI includes a 10-year plan to double the budgets for the National Science Foundation, the Department of Energy Office of Science, and the National Institute of Standards and Technology. So far, Congress has been very receptive to providing budget increases for these agencies. When the FY 2007 appropriations bills are made final, the NSF is likely to see an increase of around 8 percent, and the DOE Office of Science may have an increase between 15 and 17 percent.

NIH Reauthorization

On September 27, the House passed a reauthorization bill for the National Institutes of Health (NIH). This is the first reauthorization bill for NIH in more than a decade, and it sets the course for a strategic realignment of the NIH, particularly the Director's office. The bill implements many of the findings and recommendations of a recent Institute of Medicine (IOM) report that called for a new strategic vision for NIH that increased both the authority and accountability of the Director's office over all NIH extramural funding. Several UC faculty served on the IOM committee that wrote the report. The University of California supported this legislation, which, among other things, creates a new Common Fund to fund interdisciplinary research proposals. The bill also authorizes increased research funding increases of 5 percent annually for the next three years, thereby providing appropriators with a target to match in the annual appropriations process.

UC-Led Research Team Selected as Finalists in the NSF Petascale Computing Competition

The National Science Foundation (NSF) announced in September that the University of California-led research team is on the short list of finalists competing for a \$300 million grant to design and manage a new Petascale Supercomputer. The computer will be 1,000 times more powerful than any other NSF computing facility. The University of California formed the National Petascale Applications Resource (NPAR), a consortium of mostly California institutions, which submitted a preliminary bid for the proposal on September 8. NPAR partners include the Lawrence Livermore National Laboratory, the San Diego Supercomputer Center at UC San Diego, UC Berkeley, the Lawrence Berkeley National Laboratory, Georgia Tech, and IBM. Governor Schwarzenegger and I wrote

letters endorsing the team's proposal. The full proposal is due on February 2, 2007, and the NSF plans to announce the winner in April.

Animal Enterprise Terrorism Act

Earlier this month, I wrote a letter in support of the Animal Enterprise Terrorism Act to Senator Feinstein and the California members who serve on the House Judiciary Committee. A decision to become active with this legislation was made at the September meeting of the Council of Chancellors after a discussion led by Chancellor Abrams, in which he talked about the recent unfortunate instances of researchers under attack at UCLA. The legislation would strengthen penalties and provide law enforcement with better legal tools to charge those engaging in threats and violence. It remains unclear, however, if there is enough time left for Congress to pass the bill this year.

Spellings Commission on the Future of Higher Education

On September 26, U.S. Secretary of Education Margaret Spellings announced the Department's plan to implement the recommendations issued by the Commission on the Future of Higher Education. Key elements of the Secretary's strategy include extending the current No Child Left Behind law, which now applies to elementary schools, into high schools; streamlining the student aid process; and creating a data system for monitoring student progress throughout their education. UC supports the overall goals of the Commission and welcomes thoughtful public discourse about ways to build upon the excellence of our nation's system of higher education. We will watch and respond as the Secretary issues more specific details about achieving the goals she has outlined. In addition, Federal Governmental Relations is gathering information about the University's activities with regard to academic preparation, accessibility and student accountability. UC is primarily concerned about the Commission's focus on overly simplified quick fixes to complex situations.

HEALTH AFFAIRS

Telemedicine/PRIME

Passage of the Kindergarten through University bond measure in November would make \$200 million available to "expand and enhance medical education programs with an emphasis on telemedicine aimed at high-tech approaches to health care."

The proposed new funding for telemedicine and expansion of medical education programs marks an exceptional and special opportunity to address statewide objectives for expanding access to clinical services, and creating a new systemwide network that will enable UC medical school campuses to link together for educational and other University purposes.

To ensure that the University is positioned to meet public expectations regarding the use of these funds, Provost Hume and Vice President Hershman have asked the medical school campuses to develop new proposals that address both medical education and patient care needs. If the bond measure is passed by the voters in November, the new funding would support two major UC initiatives linked to growth in medical student enrollment at existing medical school campuses and expanded access to UC faculty physician services through telemedicine linkages at new locations

in California. Campus proposals will be subject to review by Office of the President and State officials pending passage of the November 2006 bond initiative.

Advisory Council on Enrollment Growth in the Health Professions

To provide a framework for decision-making regarding future enrollment growth in the health sciences, I appointed a special Advisory Council on Enrollment Growth in the Health Professions, co-chaired by Regent Lansing and Provost Hume. The Council is charged with preparing a multi-year enrollment plan, including annual targets for growth based upon the health workforce needs of California and the University's responsibilities for meeting them.

The Council is reviewing the University's responsibilities under the Master Plan for Higher Education, the roles of other public and private institutions, issues related to educational opportunity for Californian students, and the detailed analysis of health workforce needs that the University completed in June 2005. As part of this work, the Council received detailed information from UC Chancellors and health sciences deans regarding their current and future interests in growth, including information about the level of growth that could be accommodated within the existing infrastructure on campus versus that growth requiring new investment and new infrastructure. Provost Hume will present a series of recommendations from the Advisory Council's report at the November Regents' meeting; the Council's full report will be completed and submitted to me by the end of November.

UC/CSU Joint Audiology Degree Program

In March of this year a joint letter was sent by Cathryn Nation, UC's Executive Director for Academic Health Sciences, and Gary Reichard, Vice Chancellor for CSU, to all the five UC campuses and six CSU campuses to let them know that UCSF/SFSU, UCLA/CSU-Northridge, and UCSD/San Diego State University had been selected to establish joint programs in Audiology. Provost Hume and Executive Director Nation are working with CSU leaders to develop a mutually agreeable funding proposal, which will then be presented to the Department of Finance. These programs are being developed in response to national changes establishing the doctoral degree in audiology as the minimum credential for entry to practice effective January 1, 2007.

HUMAN RESOURCES AND BENEFITS

Reinstatement of UCRP Contributions

The Regents continue to analyze and plan for reinstatement of employer and employee contributions to the UC Retirement Plan (UCRP). At their July meeting, The Regents discussed the intent to begin employee and employer contributions at low levels, and then gradually to increase contribution levels over time, in order to help minimize the initial financial impact on employees, as well as UC.

Initial employee contributions are intended to be the amount employees are now putting into the Defined Contribution Plan -- about 2 percent of pay for most employees. Consequently, employees will see no loss in take-home pay from the initial restart of contributions, since this amount is currently being deducted and redirected to the DC Plan. The money will simply be put into the UCRP instead of into the DC Plan.

UC will also contribute to the UCRP, in an amount that will be at least equal to what employees are contributing. UC is continuing consultation and discussions regarding the resumption of contributions to UCRP with faculty, staff, unions, and retirees. The reinstatement of UCRP contributions is subject to the availability of funding, the budget process, and collective bargaining for represented employees.

Human Resources Accreditation and Assurance

At the July 2006 Regents' meeting, an update was given on the Human Resources (HR) Accreditation project first discussed with The Regents at their January meeting. UC has engaged The National Academy of Public Administration (NAPA), a Congressional chartered organization based in Washington, D.C., to design and test a HR Accreditation Model and Process for use in evaluating the staff human resources functions at four pilot locations. UCLA Professor Joel Aberbach is serving as a member of the NAPA panel working on this project. The purpose of this effort is to establish a systematic approach for ensuring that human resources programs, policies, and procedures are operating at a high-level of effectiveness and with appropriate consistency by using qualitative and quantifiable standards and measures.

A process is being established that incorporates self-assessment and independent review. Draft standards have been developed in such areas as compensation, benefits, training and development, employee/labor relations, and HR strategic management. During 2006-07, there will be formal self-assessment of HR standards for staff HR Offices at the pilot sites: LBNL, UCSF, UCSFMC, and designated HR and Benefits units in OP (e.g., Retirement, Health & Welfare). The HR Accreditation Pilot Program will conclude in June 2007 with a report to The Regents thereafter.

2007 Health & Welfare Program

UC renews 20 health and welfare contracts each year with annual premiums totaling in excess of \$1 billion. Our goal is to ensure we are contracting with best in class health and welfare vendors--those who can develop partnerships with UC to meet its special needs. We are continually exploring alternatives for delivering the highest caliber benefits package to our faculty and staff.

Medical Benefits

Health care costs throughout the country continue to rise, and employers everywhere are facing double-digit health insurance increases for 2007. Double digit increases in medical plan cost are expected again for 2008 and possibly 2009.

- While we will see no significant changes in UC medical plan features for 2007, premium increases on the plans for 2007 average 11.7 percent.
- As a point of comparison, CalPERS saw similar premium increases at 11.9 percent.
- With only 4 percent additional funding to support UC health increases, the result would be a much higher employee share of premiums. Given this, we are exploring funding alternatives to mitigate the impact on employee take-home pay, particularly for lower paid employees.

Keeping Health Care Affordable

Maintaining affordable health care for our faculty and staff is a high priority for the University. In 2003, UC implemented pay-based employee medical contributions to help keep medical coverage affordable for lower paid employees.

Currently, employees pay medical premiums based upon the plan chosen, family members covered, and the salary band which applies to them. Those earning less pay less; those earning more pay more. Additionally, to ensure we protect one of the most vulnerable segments of the population, children, the University applies a greater UC contribution towards them than we do towards adult family members (i.e., spouses, and same sex domestic partners). For 2006, our payband structure is as follows:

- \$40,000 and under
- \$40,001-80,000
- \$80,001-120,000
- \$120,001 and above

With recent pay increases, payband thresholds will be adjusted to minimize migration of employees into higher paybands, again, helping our lower paid members. The Consumer Price Index (CPI) is being considered as our annual adjustment index and would change the salary bands to the following:

- \$43,000 and under
- \$43,001-86,000
- \$86,001-129,000
- \$129,001 and above

In addition to maintaining a premium structure that helps keep medical coverage affordable for those of more modest means, our dental and vision programs continue to be fully University-paid.

Other Features of the 2007 Health & Welfare Program

The costs for our other Health & Welfare plans (such as dental, vision, life and disability insurance) have not increased significantly and will have little impact on employee paychecks for 2007.

I am also pleased to report that we are embarking upon a multi-year Wellness Initiative with eventual systemwide application. Championed by the UC Faculty Welfare Task Force on Health and strongly supported by UCOP, goals of the Wellness Initiative pilot program include:

- holding health plans accountable for effective wellness delivery;
- increasing workforce engagement in wellness activities, in part, through increased promotion and communication;
- leveraging existing campus and plan wellness resources; and
- building from the learning, successes, and strengths of the Pilot Programs.

Our Pilot Participants are:

- UC Berkeley
- UCLA Campus and Medical Center
- UC Office of the President

These locations were selected based on expressed interest and their unique local dynamics and perspectives. Our medical plan partners in this endeavor are Blue Cross, HealthNet, and Pacificare.

Labor Relations: Academic

With regard to bargaining for our academic units (graduate students, lecturers and librarians) this year, the University obtained a one-year extension for the United Auto Workers (UAW) graduate student contract through September 30, 2008. Limited subject negotiations on salary and workload for AFT lecturers will begin in early 2007. The University has a closed contract with the Librarians until March 31, 2008.

In July the UAW filed a petition to represent postdoctoral scholars at the University. The Public Employment Relations Board (PERB) made a preliminary determination that the union did not have the majority support of the postdoctoral scholars (50 percent + 1 of the designated unit). The UAW has filed an amended petition changing the composition of the unit by eliminating two titles from it. In November, once a new list is provided to PERB, there will be a recount of the cards submitted to determine if the UAW has majority support for the newly defined bargaining unit.

Labor Relations: Staff

I am happy to announce that on October 5, the University reached agreement with the California Nurses' Association (CNA), which represents registered nurses. This was a limited subject negotiation involving wages, health and welfare benefits, and meal/rest periods. The University is currently negotiating successor contracts with UPTE for health care professionals and IAFF firefighters at the Davis and Santa Cruz campuses. All other union contracts are closed, and negotiations for those contracts will begin in 2007 and/or 2008.

Finally, the University will begin bargaining with the systemwide units over the restart of contributions to the University of California Retirement Plan (UCRP) in late October.

LONG-RANGE GUIDANCE TEAM

The Long-Range Guidance Team, co-chaired by Provost Hume and Executive Vice President Darling, has been asked to consider what challenges the next 20 years may pose for California, and to discuss ways in which UC should prepare itself to address those challenges. Specifically, they will help think through the following: In an ever-changing global economy, how can UC preserve and enhance its contribution to California? More specifically, what will the University of California need to look like to serve the needs of the people of California 20 years from now?

The Long-Range Guidance Team has met with experts and constituents, both internal and external to the University. UCI Chancellor Michael Drake gave a presentation on the needs for

increased Health Sciences enrollment, and Student Affairs staff presented a comprehensive report on the challenges of undergraduate enrollment growth at both the freshman and transfer levels.

In May the Guidance Team welcomed a panel of California's education leaders to discuss challenges facing each of the segments that included Jonathan Brown, President, Association of Independent California Colleges and Universities; Steven Bruckman, Executive Vice Chancellor, California Community College Chancellor's Office; Gary Reichard, Executive Vice Chancellor, California State University Office of the Chancellor; and Susan Stickel, Deputy Superintendent, California Department of Education.

The July meeting was focused on synthesizing the Team's findings and I joined them for their preliminary results. I will be sharing the Team's recommendations with The Regents in November. It is important to note that the report of the Long-Range Guidance Team is just that--guidance--and as such, only the beginning of a process that, over the next year, will engage faculty, students, communities, legislators, and business leaders in discussions on how the University can ensure its quality, and provide the best service to a rapidly changing California.

NATIONAL LABORATORIES

Los Alamos National Laboratory (LANL)

The Los Alamos National Security, LLC (LANS LLC), of which UC is a partner, continues to implement the new contract at Los Alamos National Laboratory (LANL). Recent comments from the National Nuclear Security Administration (NNSA) indicate a high level of satisfaction with the new team.

Management of the Los Alamos National Laboratory (LANL) transferred to the Los Alamos National Security, LLC, (LANS) on June 1. Of the 10,000 employees transferring to LANS, 6,600 chose to move their UCRP-accrued benefits and service to the LANS-defined benefit plan, thereby waiving their rights to future UCRP benefits. Under the terms of UC's former contract with the US Department of Energy (DOE), UCRP liabilities and corresponding assets attributable to these LANL employees must eventually be transferred to the LANS-defined benefit plan. The basis for the final transfer of UCRP assets is still being actively discussed with DOE/National Nuclear Security Administration (DOE/NNSA). A high-level team from UC and the DOE/NNSA has been established to work through the contract close-out processes, the details of a UCRP asset transfer, and related administrative hurdles. In May, The Regents granted authority to transfer initial UCRP assets to the LANS plan on a monthly basis as needed to fund its benefit claims. At the September meeting, The Regents also granted authority to transfer greater initial UCRP assets to the LANS plan in order to minimize administrative and investment costs. Consultation with UC Faculty Welfare Committee (FWC) and TFIR on the issues related to the LANS transfer is ongoing.

Lawrence Berkeley National Laboratory (LBNL)

Lawrence Berkeley National Laboratory has entered into the second year of the new contract. The University's new oversight mechanisms, including the Advisory Board co-chaired by Norman Augustine (former Lockheed chairman) and Provost Hume, and the Contract Assurance Council chaired by Vice President Foley, are maturing and accomplishing their missions.

Lawrence Livermore National Laboratory (LLNL)

The final Request for Proposal for the LLNL management and operations contract was issued by NNSA on July 14 and the proposals are due October 27. The University has completed a thorough review of the RFP, and in general the RFP is identical to the proposal for LANL with regard to its emphasis on science and the import it places on having critical research management skills and quality of science.

In January 2004, the Board of Regents authorized the University to enter into teaming arrangements for the future management of LANL and LLNL, and in July of this year, The Regents authorized the University to form a limited liability company (LLC) for LLNL. The University is in the process of creating the LLC with its team partners. The University is teamed with Bechtel National and is finalizing arrangements with other potential team members.

During their September meeting, The Regents voted to enter the competition for the management and operations of LLNL with a UC/Bechtel-led team. Acting on my recommendation, the Board of Regents voted to authorize the University, acting through Chairman Gerald L. Parsky, to take actions necessary to submit a proposal to the Department of Energy. At their July meeting, The Regents appointed national security and nuclear weapons expert George H. Miller as team leader for the competition. Should the UC/Bechtel-led proposal win the new contract, Interim Director Miller would be named Director of the Laboratory under the new contract.

Consistent with the LANL contract, and as outlined in the LLNL RFP, Livermore employees who do not terminate employment or retire will be moved to the new corporate structure, and will retain their current benefits and pensions to the extent legally permissible under the Department of Energy's new requirements.

Following the submission of the proposal, there will be an oral presentation by the bidders before the Department of Energy's Source Evaluation Board. Thereafter, the NNSA will continue its review of proposals, with an award expected to be made sometime before the end of March 2007. The new contract is expected to take effect October 1, 2007, following a six month transition process.

PRIVATE SUPPORT

Preliminary Report for 2005-06

Private support has topped \$1 billion for the sixth consecutive year. The 2005-06 total is \$1.29 billion, a record for the University. Support for the health sciences was \$569 million, 43 percent of the grand total for the year. Donors created 94 new endowed chairs during the year, 35 of them in the health sciences.

This generous support can be attributed to the esteem in which the University continues to be held by its alumni, friends, corporations, and foundations. It is also the result of fine leadership by the Chancellors and the exemplary work of their development officers and staff.

As I mentioned, we have laid plans to build on this success, and have embarked on a number of initiatives designed to increase private support over the next few years. For example, we are beginning a five-year program that focuses on increasing alumni and parent giving in total dollars, as well as participation. This program, as well as others, will require coordination with all segments of the University community, and especially with the academic community.