

ACADEMIC COUNCIL

Minutes of Meeting
Wednesday, February 24, 2010

I. Announcements

1. UCR&J ruling on Assembly apportionment. UCR&J has issued a ruling correcting the apportionment of Assembly representatives for 2009-10, effective immediately.

II. Consent Calendar

1. **Approve the January 27, 2010 Council minutes**
2. **Recommend to the Assembly that SR764 be repealed.**
3. **Endorse CCGA white paper on the value of UC as a graduate research institution.**
4. **Endorse UCORP letter on LLNL industrial park**
5. **Endorse UCFW letter on child care facilities.**

ACTION: Items 3 and 5 were removed from the Consent Calendar and moved to New Business; the rest of the consent calendar was unanimously approved.

III. Approval of the Agenda.

ACTION: The agenda was unanimously approved as noticed.

IV. Update on Post-Employment Benefits Task Force

ISSUE: Council received an update on the progress of the Post-Employment Benefits Task Force, and discussed a timeline and strategy for Senate review of its forthcoming recommendations.

DISCUSSION: Chair Powell stated that the Senate must begin planning for a process of consultation on the forthcoming recommendations of the Post-Employment Benefits (PEB) Task Force. The Task Force has been working since last summer and is narrowing the list of options under consideration. However, the options remain confidential because the University is prohibited from engaging in direct dealing with employees, which would bypass their elected representatives in collective bargaining units. Therefore, the University is first engaging in dialogue with the unions. Efforts to share as much information and analysis as possible with the Senate will begin with confidential briefings by the Task Force with UCPB, TFIR, the Health Care Task Force, UCFW and the Academic Council in March. The briefings will provide the outlines of options for plan redesign currently under consideration. In April, members of the PEB Task Force will hold public presentations of the range of options on all of the campuses. In May, Chair Powell and Vice Chair Simmons may visit the divisional Senates if the final options have been made public and there is sufficient information for meaningful consultation. In June the PEB Task Force will make recommendations to the President in confidence. Senate committees that have been consulted also will make recommendations to Council. In July, the President will make recommendations to Regents and the recommendations will be transmitted for systemwide Senate review. In September the Regents will set the UCRP contribution rates for 2010-11; it is not clear whether they will vote on the recommendations or will defer the matter to the November meeting.

UCFW's chair argued that the University can not fix the existing liability problem by trimming future benefits. He stated that Senate members on the PEB Task Force have been emphasizing the imperative for the University to have a competitive benefits package. He argued that the defined benefit plan has been an anchor of stability for the university and that without competitive total remuneration, the University will not be able to recruit or retain faculty and the quality of the University will suffer. A Council member suggested that the Vice Chancellors for Planning and Budget should present information to the deans and chairs. Another member raised concerns about the effect of any increases in the cost of benefits on existing contracts and grants and stated that there should be a five-year plan to gradually increase costs. Finally, a member stated that the options under consideration should be made public as soon as possible, or risk raising levels of anxiety on the campuses.

V. Draft Compendium Revision

ISSUE: The draft Compendium revision has been completed and is ready for systemwide review.

DISCUSSION: Tony Norman, Chair of the Compendium Review Subcommittee, stated that the final report has not yet been approved by the Task Force. Council members stated that the administration should review it simultaneously. Motion that the Compendium document be sent to the campuses for comment, along with the report, once endorsed. A member suggested adding a reference to the delegated authority for programs from the legislature to the Regents and from the Regents to the Senate.

ACTION: Council approved sending the draft revision of the Compendium simultaneously for systemwide Senate review and administrative review once the final report has been approved by the Task Force.

VI. Report from Standing Committee Chairs and Working Group Members on the UC Commission on the Future

DISCUSSION: A member raised concerns that the timeline set out by the Commission on the Future is not conducive to the Senate review process or sensitive to the academic calendar. Keith Williams, Co-chair of the Education and Curriculum Work Group, stated that his group will make recommendations in five areas: efficiencies in enhancing time to degree; online education endorsing pilot programs If there is funding; increasing self-sustaining graduate programs and degree completion programs at the undergraduate level; developing a systemwide approach to curricular review in conjunction with local review; and developing measures of quality to be incorporated into the Accountability reports. A member noted that the first set of recommendations from the Working Groups are focused on cost savings and asked whether the second set will take a longer term view. A member of the Funding Strategies Work Group reported that he feels that the group's draft summary document does not represent the views of the majority of its members and noted that he is likely to submit a minority report on the recommendations regarding student fees. The recommendations include negotiating better indirect cost recovery rates, differential fees by campus, and substantially increasing the number of non-resident students. Ideas pushed hard in spite of resistance of the members.

VII. Preparation for Consultation with Regent Gould

Minutes were not taken for this portion of the meeting.

VIII. Consultation with Regent Gould

Comments by Regent Gould. President Yudof introduced Regent Gould, commenting that his background in finance and state government have been incredibly valuable to the University. Regent Gould began his remarks by stating that the faculty is the source of the greatness of the University. He stated that while the government provides a range of critical services, no other expenditure can play a greater role in the state's recovery than spending for UC. UC is an engine of the state economy. Regent Gould complimented the governor for raising the issue of the state's priorities. However, it is not to the University's advantage to advocate reducing funding in any particular sector. Its argument stands on its own—it is in the state's interest in its own recovery to invest in public higher education. The question is whether the University can shape public opinion to redirect public resources in a period of downsizing of public services. From a long-term perspective, funding public education is an excellent investment. Regent Gould noted that the UC Commission on the Future was established in this context. It aims to examine how the University can do business in a smarter way while still maintaining its priorities of quality, access and affordability. The public and the legislature need to be convinced that the University has responded to the times. Only then can we build an argument for additional resources. He noted that no Regents are serving as chair of the Commission's Working Groups because the university community must drive the process.

Q&A

Q: The retirement system has been an anchor of stability for UC—it brings us here and keeps us here. We don't want a defined contribution plan; we don't want a tiered plan. We want a single, strong, equitable plan. It is critically important to resume contributions to UCRP as soon as possible, but the slow ramp-up of contributions is inadequate to restore the system to health; the unfunded liability is too enormous. UCFW's Task Force on Investment and Retirement (TFIR) has written a plan, endorsed by the Academic Council, that addresses the unfunded liability and makes the plan whole. It proposes issuing pension obligation bonds until the state begins to provide funds. It also demands greater contributions early on, which will be painful, but will more rapidly shore up the retirement system. It is important to understand that the liability is so great that it can not be made up through cuts in benefits. Also, cuts in benefits will reduce total remuneration, which will make the University less competitive and ultimately will erode the quality of the faculty and of the institution. Do you share our concern about making UCRP whole?

A: Regent Gould responded that there is no question that UCRP is facing a large unfunded liability. In retrospect, the 19 year contribution holiday was an error. However, he noted that other employee groups are not as passionate about the restart of contributions. He also noted that a defined benefit plan is a rarity in today's world and largely no longer exists in the private sector. President Yudof added that all of the unions except for one have agreed to the restart of contributions. He stated that the administration is aware that contributions will have to be increased, and that the restart of contributions in April is a first step. He commented that he is intrigued by the idea of issuing pension obligation bonds, and that may be a recommendation of the Post-Employment Benefits Task Force, which will issue its report by the end of the year. He also noted that federal "Build America Bonds," created under the federal economic stimulus package, may be another source of funds for the retirement system.

Q: How can the Commission safeguard the quality of the University while confronting these budget challenges? Faculty salaries already lag the market, and the need for employees to contribute a significant amount to the retirement system will increase this gap. How do we plan to make faculty salaries competitive?

A: Regent Gould stated that he agrees that UC must maintain the quality of the faculty. If the University experiences an erosion of talent, this will have a self-perpetuating impact. It needs to solve the issue of competitive salaries. How? He offered one controversial solution (but did not endorse it): create differential fees by campus in order to generate a “luxury tax” that would support the other campuses, and enable the University to retain top faculty. Could this provide the resource base to sustain the faculty? Regent Gould stated that term limits have been a disaster for governance in the state of California. Relationships and trust between legislators that could promote compromise has been lost. While the University will continue to advocate for sufficient funding from the state, and state funding is a very significant portion of the budget, UC also must examine its own revenue generating capacity. It must consider new ideas, even if they contravene tradition. President Yudof added that the University must examine the trade-offs; it can not consider any idea in isolation. He also agreed that maintaining quality is the most important challenge for the University, and that means protecting faculty salaries and the retirement system. Comment: Many faculty are concerned about the impact on their research projects of paying for benefits from existing grants that were negotiated prior to the need to factor in the costs of retirement benefits. The Regents should project accelerated benefit costs a minimum of three years in advance so that faculty can include those costs in their grant applications.

Q: What do you think about the Torrico bill (AB 656) to fund higher education through an oil and gas severance tax?

A: Regent Gould responded that he is not in favor of the Torrico bill, as written, for several reasons, including that there is no provision requiring the state to maintain the level of funding that higher education already receives. It also would distribute the funds disproportionately and would impose a commission that would allocate the resources. This would create a bureaucracy which empowered to make educational decisions.

Comment. In mid-June, the Working Groups will present the second set of recommendations to the Commission on the Future, and the final, prioritized set will be presented to the Regents in September. This means that they will be reviewed by the Senate in the summer, when many faculty are gone. If this happens, faculty will feel that shared governance had been trampled upon. In addition, faculty will want to see the data supporting ideas. For example, the prior differential fees proposal included little analysis. As faculty, we are deliberative and nuanced. When we are discussing something as large as the future of the university, we need the time to do it properly. It is both our strength and our weakness to look at all of the implications of policy issues. We need to find common ground with the Regents and political system regarding the timing of the recommendations.

A: Regent Gould responded that the Commission formed to address an emergency situation, and it will have been a full year since it was formed; he conveyed a sense of urgency. He stated that he respects the review process and needs faculty to be engaged in it. He suggested the possibility that ideas that the Working Groups are considering for the second set of recommendations could be “sunshined” at the spring Commission meetings in order to begin a dialogue, even if the proposals are in the preliminary stages.

Q: How do you intend to protect graduate education and the research mission of the University? Graduate students are a cost to faculty research grants, which has led to a decline in the number of graduate students and is deleterious to research. Would you support making Cal Grants available to graduate students?

A: The Regents do understand that UC's unique role in the state's system of public higher education is to conduct research and that graduate students help to make that a reality. In the past, UC gained political support in Sacramento by expanding undergraduate enrollment, but we lost sight of the research mission of UC under the Master Plan. The University must reaffirm the Master Plan. California has an innovation-based economy; research sustains this.

Comment: I want to remind you that one of the central values of the University is diversity.

A: Regent Gould commented that diversity at the University is critically important for UC and for the state of California. If the state does not increase the college going rate of underrepresented groups, it will have serious economic implications. He also stated that he believes that the new eligibility policy will open the doors to UC to a diverse population.

Comment: I am very concerned about your comment about differential fees being a way to redistribute wealth among campuses. By tiering, you immediately devalue other campuses. What top faculty candidate would choose a lower tier campus, and how will these campuses grow? Also, the campuses in the lower tier are the ones with the most diversity. Differential fees will not lead to excellence. The system already distributes funding unequally. We must address how the University allocates all funds.

A: Regent Gould responded that these are fair arguments and recognized that a number of campuses would not have achieved the excellence they enjoy today if the University previously had instituted tiering. He also noted that he is not predisposed to support any one idea, but is open to considering seriously all ideas put forth.

Comment: I want to stress the importance of Senate consultation to the stability of the University as an institution. The faculty need to know that their voice is being heard. My fear is that, as with the furloughs, the faculty will believe that the Senate is not being allowed to exercise its authority and this will undermine the recommendations of the Commission.

A: Regent Gould stated that he agrees that the Senate provides both institutional stability and a knowledge base that is necessary and valuable. He added that he is open to any ideas for creating dialogue about the Commission recommendations.

IX. General Discussion

Minutes were not taken for this portion of the meeting.

X. Executive Session

Minutes were not taken for this portion of the meeting.

XI. Professional Degree Fee Policy

ISSUE: Current Regents' policy requires that fees be established at or below the average level of fees at comparable public institutions. There have been multiple exceptions to this policy for various reasons. The proposed change recommends that this be a factor to be considered, but not a

ceiling, and requires that comparative data on tuition levels at comparable public and private institutions be included in any proposal to raise fees.

DISCUSSION: Some members raised concerns that the policy could jeopardize affordability, move UC further toward privatization, and discourage students from pursuing careers in public service. A member echoed the concern about rising fees, but stated that issues of access should be addressed school by school. A member spoke in favor of revising the policy, as it is an arbitrary marker and argued that by adding teeth to the policy, it is improved. A member suggested that it would be appropriate to convene a task force to look at the broader issue of rising fees at professional schools. Several members noted that there was no consensus on the issue on their committees or at their campuses. A motion was made to not object to or to endorse the change in policy, but to convey Council's concern to the Regents about rapidly rising fees at professional schools, and to advise strict scrutiny of any fee increases.

ACTION: Council declined to opine on the policy and change and directed Chair Powell to convey its concerns about rapidly rising fees to the Regents (12 in favor, 3 against).

XII. UCFW Budget Requests

(a) Ensuring Adequate Funding for UCRP

ISSUE: UCFW presented to Council an updated version of the May 2009 "TFIR Recommendation to Assure Adequate Funding for UCRP." The new version includes a proposal to provide the employer contribution to UCRP by issuing Pension Obligation Bonds.

DISCUSSION: UCFW's chair noted that most of the principles in the document have previously been endorsed by Council. Additions include a proposal advocating that the University issue Pension Obligation Bonds to provide the employer contribution to UCRP, absent state funding. There also is additional information on the University's ability to recover more money from federal grants and contracts. UCRP currently has \$10 billion in unfunded liability, which will increase by \$2 billion a year. It is imperative to stanch this increase. A member stated that while it is counterintuitive to borrow in order to pay a liability, it is better than further delay. He also noted that this will require a sea change in capital construction because it will reduce the debt capacity of the entire system; the University will no longer be able to grow at the same rate. It also will require tapping into operating funds to cover recurring debt payments. A member suggested that the document be sent to the divisions for consultation. Another member stated that TFIR has long encouraged the administration to find a solution to the massive problem of unfunded liability, and that it is Senate policy that large contributions should be made as soon as possible. A member noted that some faculty are concerned about the impact of paying for benefits on existing grants that were negotiated without factoring in additional benefit costs. A member stated that the Senate must provide information to faculty on the size of the problem and the urgent need to address it. Chair Powell stated that he and Vice Chair Simmons may plan to visit the campuses in May to conduct town hall forums on this issue. A member suggested circulating the document to the campuses, both to provide information to faculty about the scope of the problem and possible solutions, and to solicit additional comment as part of an ongoing, systemwide discussion of post-employment benefits.

ACTION: Council endorsed the UCFW/TFIR recommendation and voted to circulate it to the campuses for additional comment (11 in favor, 1 abstention).

(b) UCFW Statement on Collective Bargaining and the Restart of UCRP Contributions

ISSUE: UCFW endorsed a statement from TFIR noting that, as a matter of equity, UC should make contributions to UCRP on behalf of employees in collective bargaining units that have not authorized employee contributions.

ACTION: Council unanimously endorsed the UCFW statement on collective bargaining and the restart of UCRP contributions.

XIII. New Business

(a) CCGA White Paper on the Value of UC as a Graduate Research Institution

ISSUE: CCGA submitted a white paper on the value of UC as a graduate research institution.

DISCUSSION: A Council member removed the white paper from the consent calendar because the appended list of examples was not uniform and emphasized the accomplishments at some campuses more than others. He suggested that the divisions and/or UCORP be asked to provide examples and for CCGA to resubmit the Appendix.

ACTION: Council unanimously endorsed the white paper without the Appendix; the Appendix will be revised and resubmitted to Council.

(b) UCFW Letter on Child Care Facilities

ISSUE: UCFW recommends reinstatement of the child care facility at UCSC and supports family-friendly policies across the system.

DISCUSSION: A Council member removed the letter from the consent calendar because of a concern that the Senate should not micro-manage budgetary decisions made on the campuses. Due to time constraints, Council was unable to discuss this item fully and deferred it to the next meeting.

(c) UCAAD Letter on Racist Incident at UCSD

ISSUE: UCAAD submitted a letter abhorring the racially charged party hosted by UCSD students and praising the campus administration's response to the incident.

DISCUSSION: After a brief discussion about whether to broaden the letter by including the protest of the Israeli ambassador's speech at UCI, Council decided to ask UCAF to address that issue separately.

ACTION: Council unanimously endorsed UCAAD's letter.

Meeting adjourned at 4:35 p.m.

Attest: Henry Powell, Academic Council Chair

Minutes prepared by Clare Sheridan, Senior Policy Analyst