UNIVERSITY OF CALIFORNIA
BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE
SAN DIEGO • SAN FRANCISCO • SANTA BARBARA • SANTA CRUZ

NOTICE OF MEETING
TELECONFERENCE OF THE ASSEMBLY OF THE ACADEMIC SENATE

Friday, February 26, 2010
9:00 - 10:30 am

Call-in instructions will be sent via email

The next regular meeting of the Academic Assembly is on Wednesday, April 21, 2010.

Roll Call of Members
2008-09 Assembly Roll Call February 26, 2010

President of the University:
Mark Yudof

Academic Council Members:
Henry Powell, Chair
Daniel Simmons, Vice Chair
Christopher Kutz, Chair, UCB
Robert Powell, Chair, UCD
Judith Stepan-Norris, Chair, UCI
Robin Garrell, Chair, UCLA
Martha Conklin, Chair UCM
Anthony Norman, Chair, UCR
William Hodgkiss, Chair, UCSD
Robert Newcomer, Vice Chair, UCSF
Joel Michaelsen, Chair, UCSB
Lori Kletzer, Chair, UCSC
Sylvia Hurtado, Chair, BOARS
Farid Chehab, Chair, CCGA
Ines Boechat, Chair, UCAAD
Alison Butler, Chair, UCAP
Keith Williams, Chair, UCEP
Shane White, Chair, UCFW
Gregory Miller, Chair, UCORP
Peter Krapp, Chair, UCPB

Berkeley (6)
Daniel Boyarin
Suzanne Fleiszig
Fiona Doyle (alternate for James Hunt)
Avideh Zakhor (alternate for Anthony Long)
Mary Ann Mason
Pablo Spiller

Davis (6 – 1 TBA)
Joel Haas
Brian Morrissey
Krishnan Nambiar
John Oakley
David Simpson

Irvine (4)
Hoda Anton-Culver
Luis Aviles
Kenneth Chew
David Kay

Los Angeles (9 - 1 TBA)
Paula Diaconescu
Malcolm Gordon
Jody Kreiman
Timothy Lane
Duncan Lindsey
Susanne Lohmann
Purnima Mankekar
Joseph Nagy
Natik Piri

Merced (1)
Nella Van Dyke

Riverside (2)
Manuela Martins-Green
Albert Wang

San Diego (5)
Salah Baouendi
Timothy Bigby
Sandra Brown
Stephen Cox
Jason X-J Yuan

San Francisco (3)
David Gardner
Deborah Greenspan
Sandra Weiss

Santa Barbara (3 – 1 TBA)
Chuck Bazerman
Richard Church

Santa Cruz (2)
Mark Carr
Marc Mangel

Secretary/Parliamentarian
Peter Berck

MEETING OF THE ASSEMBLY OF THE ACADEMIC SENATE

October 14, 2009
MINUTES OF MEETING

I. ROLL CALL OF MEMBERS

Pursuant to call, the Assembly of the Academic Senate met on Wednesday, October 14, 2009. Academic Senate Chair Henry Powell presided and called the meeting to order at 10:00 am. Senate Executive Director Martha Winnacker called the roll of Assembly members. Attendance is listed in Appendix A of these minutes.

II. MINUTES

ACTION: The Assembly approved the minutes of the June 17, 2009 meeting with one correction**.**

III. ANNOUNCEMENTS BY THE CHAIR

- Henry Powell

IV. ANNOUNCEMENTS BY THE PRESIDENT

- President Yudof began by noting that an article in the October 13th issue of the *Wall Street Journal* yesterday stated that the University of California has produced more Nobel prize winners—37—than any other university.
- The president reiterated his statement to the Regents that the state is an unreliable partner. State per-student appropriations have been cut in half; in 1990, the state spent $15,000 per student (dollar-adjusted), and today it spends only $7,780. He noted that the university has controlled costs, which have risen roughly at the rate of inflation, but that because of the reduction in state support, fees must be raised. He emphasized that the problem is not spending or cost control, it is decreased revenue.
- President Yudof will present a budget plan to stabilize the University, and then fight in both Sacramento and Washington for additional financial support. The plan includes ending furloughs in the summer of 2010.
- The budget plan requests $900 million more from Sacramento than the University received last year. This includes the restoration of $305 million that the state made last year in one-time cuts, $160 million for 14,000 unfunded students, and $106 million in state funds to restart contributions to the retirement fund.
- The president stated that students have a right to be angry, but that he must defend and protect the University. He also noted that the burden is being shared across a broad spectrum of the university community through furloughs, program cuts, layoffs, restructuring debt, and increasing student fees.
- President Yudof noted that the furlough plan was far different from what he initially proposed. His original plan called for salary reduction. But in response to faculty and staff input, he decided to enact furloughs because a) staff preferred them; b) furloughs seem more temporary; and c) furloughs do not reduce base salary in calculating service credit for the retirement program. But, in essence, especially for faculty, the effect is the same as a salary reduction. He noted that the University has laid off 2,000 employees, but without the furlough program, an additional 3,000 to 4,000 people probably would have been laid off.

- President Yudof stated that despite the budget situation, he has developed good relations with many legislators. He has made more than 20 visits to Sacramento. Lobbing helped to save Cal Grants and countered several bills that threatened UC. Over 130,000 people have signed up to be UC advocates, and in the past six weeks, 20,000 letters were written to the legislature in support of the University.
- President Yudof stated that UC's uniqueness is in the conjunction of a world class faculty doing world class research, made accessible to low-income students. Over 32% of students attending UC meet the low income definition. UC enrolls roughly double the number of low-income students as its closest competitors at research universities.
- President Yudof stated that the University could enroll some additional non-residents, but that it is not feasible to significantly increase non-residents without reducing opportunities for California students. He noted that 84% of California high school students who go on to higher education in the state go to public institutions.
- The president stated that he made a mistake in the timing and handling of the issue of whether to allow furloughs on instructional days. He stated that he feels setting the calendar should be a faculty matter. But unfortunately, the decision implementing furloughs was simultaneous with the planned 32% fee increase; he had been treating them as separate issues. He began hearing from the legislature and parents that this was unacceptable and decided that it would cause enormous public relations problems for the University, and potentially be disastrous to the University's relationship with the legislature. He made the decision to protect the University. The president stated that to his knowledge, it was the only major division of opinion that he has had with the Senate.

Questions and Comments

Q: Could you discuss the UC Commission on the Future? What kind of university will emerge?
A: The faculty will play a large role in determining the future shape of the University. Only the faculty fully understand the problems and only the faculty can carry out the solutions. Most of the Working Groups will be majority faculty. The Commission's aim is to set priorities. Universities do everything *seriatum*—there are many good ideas, but they are not prioritized, and there is little overall planning. The Commission will make recommendations, which will than go through the process of shared governance before being presented to the Board of Regents.

Q: Should the University respond to current budgetary problems by cutting enrollment?
A: The plan is to reduce 2,500 students per year for four years, which is the number of students for whom we do not receive funding from the state (10,000). Further enrollment cuts would be unpopular with the public and reducing the size of the University most likely would impact the underrepresented populations most. While I would not eliminate this option, I would prefer to raise fees and offer financial aid to those who need it. On October 23, the University will announce a $1 billion scholarship campaign to help students impacted by the fee increase.

Q: The *Los Angeles Times* has written two editorials against the fee increase and differential fee proposal, even suggesting that the furlough program be extended in order to protect fees.
A: I have not received a single letter from the legislature in opposition to the fee increase. When Regent Island announced that he would support the fee increase, it was a watershed moment; he has never before voted for a fee increase. It was a recognition of the dire straits in which the University finds itself. Between the May and September Regents' meetings, we demonstrated that we have done everything possible to cut costs. We had the chancellors make their case. But we can not sustain continued faculty salary cuts or furloughs. We will begin to lose faculty and it will gut the heart of the University. The fee increase should not be juxtaposed to the furlough program; they are both part of a broad strategy to reduce costs and raise revenues.

Q: I appreciate your efforts to restart contributions to the retirement program as soon as possible. But I heard you say that *if* the budget is adopted, we will restart contributions.
A: The Board of Regents approves the budget; I can not guarantee anything.

Q: Can you comment on your view of the potential cost savings of online education? Online courses are complex to put together and administer. Also, 20% of courses produce 80% of the student course hours.
A: Online education will be addressed by the Education and Curriculum Working Group of the UC Commission on the Future. It is co-chaired by Senate representative Keith Williams of UC Davis and Dean Chris Edley of UC Berkeley Law School. In addition, a group at UCOP is working on a proposal to solicit funds for a pilot project that will support UC faculty who want to design online courses. But the faculty have to decide where online education is appropriate and where it's not and the Senate is in charge of approving all courses.
Comment: Professor Williams added that a Senate special committee on remote and online education is about to issue a report.

Q: What support do you need from the faculty?
A: I really need your participation in the Commission on the Future. We need good ideas. We are not hiring consultants; you are the consultants. Second, I need you to be effective advocates. I need you to communicate information to your colleagues and to listen to them. Reach out to your colleagues and bring them into the faculty governance process. We need to promote shared governance and faculty participation. We are not reaching all the troops and I can not do it alone. Third, you should be advocates to Sacramento and the media. Many of you have done this. A large number of the advocacy letters came from the faculty. After the November elections we will conduct a statewide advocacy campaign in support of higher education. We especially have to convince those who do not have children that they benefit from the University of California. Finally, support my budget plan to stabilize the University.

Q: Can you comment on the Torrico bill to tax oil production in order to support higher education?
A: While it is an interesting idea, the bill is deeply flawed. There is no provision requiring maintenance of effort, which means that the state could reduce our appropriations by the same amount. A separate Board—not the Board of Regents—would allocate the money separately. Also, it is probably a declining revenue source. If there is going to be a set aside, it should be tied to a different revenue stream. The University has not formally opposed it. We have said that we would work with Senator to improve it.

Q: I appreciate that you removed the differential fee item from the November Regents' agenda. I am curious about your strategy. Why was it presented before the analysis was completed and before it went through the deliberative process of shared governance?
A: It probably was a mistake to put it on the agenda. I was trying to figure out where we could find more revenue in these difficult times, and wanted to get a sense of what the Regents thought about the idea.
Comment: At UC Merced over 50% of the student body are first generation students and they pick business and engineering because they want a practical degree. We need to reconcile the uniqueness of low-income students and research with our actions.
A: The data I have seen so far does not support the notion that differential fees makes a difference in students' choice of major.

Q: Would you be receptive to increasing block grant allocations for graduate students or allocating additional money in the Humanities in order to alleviate the fee increases? The Humanities, in particular, will suffer because they do not have as much access as the sciences to external funding.
A: Yes, I would consider that idea. Historically, we have set aside 50% for a return-to-aid program. I would like your advice on how to administer it, as well as a definition of the Humanities.

Comment: The University needs an advertising campaign.
A: A plan is being developed. The California media market is complicated and expensive. We are beginning to use new media sources such as Facebook. We need to do focus groups to see how Californians react to different messages and we need to be sophisticated.

Q: I urge you to visit all of campuses and speak directly to the faculty; it will help shared governance.
A: I intend to make visits and am working on organizing a tour, but there are logistical issues. I am concerned that the events will get shut down.

Q: The Academic Senate is working with the other segments to work on a coordinated advocacy plan. Are the administrations coordinating with each other and should the Senates and the administrations also work together?
A: Yes, I am thinking about coordinating with CSU to advocate for more support for higher education. It is an excellent way to multiply your advocates.

Q: What are your strategies to retain an excellent faculty?
A: If the budget is funded, merit increases for faculty will continue, the furloughs will end and contributions to UCRP will be restarted. It is critical that we protect the retirement system because it helps us to retain faculty. I am also going to Washington to advocate for more federal funding.

Q: Chancellor Birgeneau of Berkeley recently published an op-ed on federal funding for universities. Do you think this proposal is feasible?
A: I drafted a white paper. Chancellor Birgeneau's proposal selects certain universities for funding, so I don't think it will come to fruition. I recently drafted a white paper on federal funding for higher education that will be circulated soon. Funding for higher education is a national problem that requires a national solution. My proposal is to add on to Pell grants extra money for research and education in proportion to the percentage of Pell grant recipients that a University enrolls. This would reward behavior that the federal government wishes to promote by providing incentives for universities to enroll more low-income students and perform more research. It is a viable possibility, but the biggest impediment is federal distrust that states will pull out money. Also, Washington is focused on health care right now.

Q: Have you received any backlash about shifting income from higher income to lower income students, given the magnitude of the fee increase?
A: I do get negative feedback, mostly from the middle class, but the mail I receive favors this approach by 10 or 15 to 1.

Q: What will happen if the unions do not agree to the furlough plan?
A: We will have to have layoffs. The campuses must meet their targets for savings. If they do not, they will have to do layoffs.

Q: Do you think that the state legislators understand the role of the University in the state and the impact of the budget cuts?
A: The legislators focus on undergraduate education; they do not understand the research mission and national labs and the complexities of the institution. They don't understand our relationship to job creation, culture, or the well-being of California's families. The leadership understands the University's role, but unfortunately, many of them are reaching term limits. The legislature also sees the fact that they have reduced our budget and the University is still great. Also, given making hard choice between children's health services and the University, they will choose children.

Q: Is the increase in student fees correlated with the increase in debt service for construction projects, as argued by the head of the Council of UC Faculty Associations?

A: No. Five years ago, the University expanded the security pledge in its bonds. Bond holders now evaluate the financial position of the University as a whole, not at the particular project under construction. This approach has allowed us to expand the University's borrowing capacity. But no funds from student fees or from the state are used for debt service. Some student-approved registration fees for specific purposes are used, e.g., fees supporting a recreation center. Debt service is paid through indirect cost recovery funds, auxiliary income, etc.

VI. SPECIAL ORDERS

A. CONSENT CALENDAR

1. Amend Merced regulation 75 (SR 640), Undergraduate Honors at Graduation
2. Amend Senate Bylaw 140, Affirmative Action and Diversity

ACTION: The consent calendar was unanimously approved.

VII. REPORTS OF SPECIAL COMMITTEES [NONE]

VIII. REPORTS OF STANDING COMMITTEES

A. Academic Council

1. Report on Implementation of RE 89 [INFORMATION]

2. Presentation on Budget Reserves

- **Peter Taylor, Executive Vice President and Chief Executive Officer**

CFO Peter Taylor made a presentation on the University's unrestricted net assets. Some have asserted that these are "reserves" that could be tapped into to mitigate the budget crisis and make up for massive reductions in state support. Taylor stated that the University is required to list these monies as "unrestricted" under the requirements of the Government Accounting Standards Board (GASB). However, unrestricted does not mean uncommitted. Rather, it means that these funds are not restricted by external parties, such as federal research grants for specific purposes or endowments with terms attached. The funds are in 76,000 separate accounts. They include some endowment funds to be used for specified purposes such as scholarships, but with no further restrictions, capital project funding, medical centers funds, operating funds to support academic programs on a multiple-year basis, lien funds for authorized equipment purchases and services that were not been expended by the end of the fiscal year, etc.

The financial statement about to be released summarizing UC's financial condition as of June 20, 2009 will show a substantial drop in the University's unrestricted net assets to an amount below $4 billion. Much of that is due to documentation, for the first-time, of liability for retiree health care in response to a new GASB regulation, but is also due to market loss. It is important to note that the amount of unrestricted net assets on the books varies tremendously over the calendar year. So any figures represent a snapshot in time. In FY09-10, unrestricted net assets include (in approximate dollars) $820 million for capital projects (Regents' policy requires projects to have cash in hand before starting to build, so these funds are for projects that already have been started or approved); $700 million for operating funds (Moody's would prefer to see $3 billion in operating reserves; the University carries lower cash reserves than credit agencies want); $1.8 billion in endowment income or income from funds functioning as endowments (half of this amount is controlled on campuses); $35 million for debt service; and $640 million for student fee and auxiliary payments.

VIII. UNIVERSITY AND FACULTY WELFARE REPORT

A. Presentation on UCRP Funding Status

- **Bob Anderson, Chair, UCFW's Task Force on Investment and Retirement**
- **Peter Taylor, Executive Vice President and Chief Executive Officer**

CFO Taylor and Professor Robert Anderson, Chair of UCFW's Task Force on Investment and Retirement, made a joint presentation on the funding status of UCRP and of the progress of the president's Post-Employment Benefits (PEB) Task Force. The PEB will develop a comprehensive, long-term approach for all post-employment benefits. It will make recommendations to the president this summer for his review and endorsement before submission to the Regents. It will soon begin public visits to campuses to gather information. Information about the task force and its schedule can be found at: http://www.universityofcalifornia.edu/news/ucrpfuture/emp_task.html.

Professor Anderson stated that the University is legally obligated to pay all pension benefits that have been accrued to date. There is a clause, the impairments of contracts clause, in both the state and federal constitutions that protects state employees' pensions. Unlike private companies, state entities can not declare bankruptcy as a mechanism to walk away from its commitments. According to law, all revenue must go to pay bonds and pensions before salaries. The University may be able to reduce future accrual for current employees, but this would result in litigation. It clearly can reduce pension and retiree health benefits for newly hired employees. It also can reduce health benefits for all retirees; it has more flexibility to change these programs.

He stated that UCRP's funding status is less than adequate partly because of market losses and an increase in retirees, but mostly due to the fact that no one has paid into the system for 19 years. If the University booked all of last year's market losses, UCRP currently would be only 70% funded, but it is amortized over five years, so it reflects only 1/5 of the losses.

He stated that retiree health benefits also are under pressure. In 2009, the University had $14.3 billion in unfunded liability for retiree health. The University's total unfunded liability is $16.4 billion. It will rise to $21.7 billion in 2010, $26.5 billion in 2011, $32.2 billion in 2012, and $37 billion by 2013. Much of the unfunded liability reflects early retirements. When retirees reach age 65, Medicare begins to cover costs, and the cost to the University falls dramatically. For every year of service credit, the unfunded liability ("normal cost") is 17% of the employee's covered compensation.

Restart of UCRP contributions. In September 2008, the Regents adopted a funding policy for UCRP. If the University had followed this, there would have been an 11.5% contribution starting on July 1, 2009. However, the University received no funding from the state for this purpose. So, instead, a plan to slowly ramp up contributions was proposed, but has not yet been adopted formally by the Regents. The plan is to resume contributions on April 15, 2010. The slow ramp-up means that it will take 20 years to catch up to the Regents' September 2008 funding plan and contributions will be in excess of 50% of covered compensation. Deferring contributions now means that 7.5% earnings on those contributions are foregone. Deferring $1 now will require $4.20 years from now, and means that the fund loses an additional $2 in contributions from non-state salary sources such as federal grants, hospitals, etc. In contrast, the September 2008 funding policy would have peaked at 37% of covered compensation in 2014, but then would have slowly declined.

The University can not renege on accrued benefits. Cutting pension benefits will not fix the problem because if the University freezes the accrual of additional benefits, it would be difficult to collect employee contributions or funds from federal grants. The best thing for a plan with unfunded liability is to keep as many people as possible in the plan so that the base of earners making contributions is large. Additionally, the University must be competitive for faculty, so it can not cut benefits much, particularly since salary compensation is not competitive. For many staff categories, however, the plan is more generous than in the private sector. The Task Force will examine whether the University should consider different benefits packages for different employee groups. But that will be controversial. One important function of UCRP is its role in retaining mid-career faculty and staff.

What would mitigate this situation? If employees retired later, they would draw a somewhat larger pension, but over the course of fewer years, so the cost to UCRP declines. The most expensive retirees are those in their late 50s to 65 due to the cost of health benefits. New employees could be given a choice of retiring later with full benefits, or earlier with reduced benefits. This would help the University in the long term, but it will not help UCRP immediately. It may be possible to provide incentives to current employees to retire a little later. Faculty retire at an average age of 66 years old. Staff retire at an average age of 59, which is a burden on UCRP. There is a clear difference in behavior.

IX. PETITIONS OF STUDENTS [NONE]

X. UNFINISHED BUSINESS [NONE]

XI. NEW BUSINESS [NONE]

The meeting adjourned at 4:30 pm.

Attest: Henry Powell, Academic Senate Chair
Minutes Prepared by: Clare Sheridan, Academic Senate Analyst
Attachment: Appendix A – Assembly Attendance Record, Meeting of October 14, 2009

Appendix A – 2009-2010 Assembly Attendance Record, Meeting of October 14, 2009

President of the University:
Mark Yudof

Academic Council Members:
Henry Powell, Chair
Daniel Simmons, Vice Chair
Christopher Kutz, Chair, UCB
Robert Powell, Chair, UCD
Judith Stepan-Norris, Chair, UCI
Robin Garrell, Chair, UCLA
Martha Conklin, Chair UCM
Anthony Norman, Chair, UCR
William Hodgkiss, Chair, UCSD
Elena Fuentes-Afflick, Chair, UCSF
Joel Michaelsen, Chair, UCSB
Lori Kletzer, Chair, UCSC
Sylvia Hurtado, Chair, BOARS
Farid Chehab, Chair, CCGA
Ines Boechat, Chair, UCAAD (absent)
Alison Butler, Chair, UCAP
Keith Williams, Chair, UCEP
Shane White, Chair, UCFW
Gregory Miller, Chair, UCORP
Peter Klapp, Chair, UCPB

Berkeley (6)
Daniel Boyarin
Suzanne Fleiszig
James Hunt
Anthony Long
Mary Ann Mason
Fiona Doyle (alternate for Pablo Spiller)

Davis (6 – 3 TBA)
Brian Morrissey
Krishnan Nambiar (absent)
John Oakley

Irvine (3)
Hoda Anton-Culver (absent)
Kenneth Chew
David Kay

Los Angeles (9 - 1 TBA)
Paula Diaconescu
Malcolm Gordon (absent)
Jody Kreiman (absent)
Timothy Lane
Duncan Lindsey (absent)
Susanne Lohmann
Purnima Mankekar (absent)
Joseph Nagy
Natik Piri

Merced (1)
Nella Van Dyke

Riverside (2)
Manuela Martins-Green (absent)
Albert Wang

San Diego (5)
Hans Paar (alternate for Salah Baouendi)
Timothy Bigby
Carlos Waisman (alternate for Sandra Brown)
Steven Plaxe (alternate for Stephen Cox)
Jason X-J Yuan

San Francisco (3)
David Gardner
Wendy Max (alternate for Deborah Greenspan)
Sandra Weiss

Santa Barbara (3 – 1 TBA)
Chuck Bazerman
Richard Church

Santa Cruz (2)
Mark Carr
Susan Carter (alternate for Marc Mangel)

Secretary/Parliamentarian
Peter Berck

III. ANNOUNCEMENTS BY THE CHAIR

- **Henry Powell**

IV. ANNOUNCEMENTS BY THE PRESIDENT

- **Mark Yudof, President**
- **Nathan Brostrom, EVP, Business Operations**

IX. SPECIAL ORDERS [NONE]

VI. REPORTS ON SPECIAL COMMITTEES [NONE]

VIII. UNIVERSITY AND FACULTY WELFARE REPORT [NONE]

IX. PETITIONS OF STUDENTS [NONE]

X. UNFINISHED BUSINESS [NONE]

XI. NEW BUSINESS