

**PRESIDENT ROBERT C. DYNES  
DISCUSSION TOPICS FOR THE MEETING OF  
THE ASSEMBLY OF THE ACADEMIC SENATE  
WEDNESDAY, FEBRUARY 14, 2007**

## **ACADEMIC PLANNING**

The University is engaged in a number of academic planning activities, some underway for more than a year now, and others still in their earliest stages of development. Provost Hume, who is directing these efforts, reported to The Regents' Committee on Educational Policy in January, describing both the context and nature of academic planning and some of the activities underway. Since The Regents are forming their own long-range planning committee, the planning activities directed by Provost Hume are timely and will be of great value to them.

A few of the activities underway or soon to begin include:

- Planning for graduate education, through the Task Force on Planning for Doctoral and Professional Education (PDPE), which has examined proposed new doctorates, e.g., Audiology, law school proposals, areas of need for doctoral training in Education, and issues related to interdisciplinary programs. PDPE is embarking on drafting principles and criteria to consider in offering new professional doctorates, in the context of the Master Plan.
- Systemwide academic planning, through campus visits and sharing of campus plans. In this first year of a multi-year process, Provost Hume has met with every Executive Vice Chancellor (EVC) to learn more about each campus's academic planning process and academic direction. Throughout the spring, these findings will be shared and discussed with the EVCs, Chancellors, and the Academic Council, ending with a summary presentation to the Committee on Educational Policy.
- Planning for undergraduate education, as directed by a Steering Committee comprising primarily Senate (UCEP) members and Undergraduate Deans. This Undergraduate Education Planning Committee will identify priority academic issues arising from a changing society and the changing background of undergraduates.
- Long-range enrollment planning, to follow on the 1999 enrollment plan that is in effect through 2010.

Underlying these planning activities is a focus on developing approaches that maximize the potential that comes from working as a system, while maintaining and enhancing the academic features that make each campus distinctive.

## **ADMISSIONS**

### ***Fall 2007 Applications***

The Fall 2007 undergraduate admission cycle is currently underway, with our nine undergraduate campuses reviewing applications from a total of nearly 111,000 applicants--just over 87,000 prospective freshmen and nearly 24,000 transfer applicants. Freshman applications increased again this year, by 5.3 percent, while transfer applications remain flat, down 1 percent for all

transfers and 2 percent for applicants from California Community Colleges. Growth in applications from California public high school graduates exceeded the projected growth in the graduating class, indicating that a larger proportion of California students are attracted to UC.

We are particularly pleased by significant increases in African-American, Chicano-Latino, and American Indian applicants, both in numbers and as a proportion of the whole, and at both the freshman and transfer levels. Nearly all of our individual campuses saw growth in freshman applicants, with UCLA attaining the distinction of more than 50,000 freshman applicants—as far as we know, the first campus in the nation to attract more than 50,000 applications for a single term. UCLA also saw very substantial increases in applications from minority students—14.1 percent for African Americans and 15 percent for Chicano-Latinos.

The academic quality of our applicants remains very high, with freshman applicants averaging a 3.67 high school GPA, completing an average of 46 semester-long college preparatory courses, and earning average scores of around 570 on each segment of the SAT. In addition, roughly 40 percent of our freshman applicants come from families where neither parent has a 4-year college degree, more than 35 percent come from low-income families, and more than a fifth come from disadvantaged high schools.

The application review process will continue through March, with campuses rolling out admission decisions between mid-February and April 1 for freshmen, May 1 for transfers. Freshman applicants have until May 1 to choose where to enroll.

## **AGRICULTURE AND NATURAL RESOURCES**

### ***President's Advisory Commission Meeting***

Provost Rory Hume, Vice President for Agriculture and Natural Resources Reg Gomes, and I met with members of the UC President's Advisory Commission on Agriculture and Natural Resources (PAC) in October. The PAC brings together senior leaders from UC and the state's agricultural, natural and related human resources sectors twice a year to share new information and ideas, identify emerging issues and challenges facing Californians, and gain exposure to the breadth and range of UC research, teaching, and Cooperative Extension programs.

The major discussion topic at the fall meeting was “*Renewable and Alternative Energy Sources: Challenges and Opportunities for California's Agricultural and Natural Resources Industries.*” The presenters included Severin Borenstein, E.T. Grether Professor of Business and Public Policy, Haas School of Business, and Director of the UC Energy Institute, UC Berkeley; Sharon Shoemaker, Director of the California Institute of Food and Agricultural Research, UC Davis; Robert Ellery, Director of Energy Resources and Environmental Affairs, Sierra Pacific Industries; and Ruihong Shang, Professor of Biological and Agricultural Engineering, UC Davis.

The commissioners also received a briefing by Gregory Lanzaro, Director of the UC Mosquito Research Program, on research into the West Nile virus in California and a new UC systemwide malaria research project in Africa, and an update by Trevor Suslow, Cooperative Extension Specialist in the Department of Plant Sciences, UC Davis, on research and sampling efforts underway in the Salinas Valley to find the cause of the recent *E. coli* outbreak in organically-grown spinach.

During the meeting, I announced the establishment of *Taking the University to the People*. This landmark oral history project will provide a living record of the individual contributions of UC Co-operative Extension advisors, specialists, and staff, and will document examples of the positive impacts of the UC-industry research, development, and delivery continuum on California consumers and the state's agricultural and natural resources sectors. The project will be conducted with the Regional Oral History Office of the Bancroft Library, UC Berkeley, and will involve up to 100 oral histories. A private fund-raising campaign is now underway to support the effort.

The next meeting of the President's Advisory Commission will be in April.

## **BUDGET AND FUNDING**

The Governor's budget proposal for 2007-08 was released on January 10. Overall, it proposes to eliminate the structural deficit, which is estimated to be about \$4 billion, and fund a \$2 billion reserve. In general, expenditure increases are held to 1 percent overall; however, the funding increase proposed for UC is greater--over 6 percent. The Governor's proposal supports the University's service to California by funding growth in student enrollments, proposing a major research and innovation initiative, supporting faculty and staff salary increases, and proposing an infrastructure plan for facilities, among other priorities.

The Governor's Budget proposes to fund fully the Compact, an agreement that spells out anticipated State funding levels and UC accountability measures over a multi-year period, including:

- A 4 percent basic budget adjustment – \$116 million in State funds – is included, which, in combination with student fees and UC General Funds, will be used to help fund a compensation package of 5 percent, including COLAs, merits, employee health benefits, and non-salary price increases. This is a very high priority for the University. UC salaries are 10 percent behind the market, with salaries at comparison institutions going up about 4 percent per year. The extra 1 percent in the compensation package will allow UC to begin to close the gap.
- Funding for enrollment growth of 5,000 students is included at a significantly improved marginal cost. The University had estimated a 2.5 percent enrollment growth, or 5,340 students; the Department of Finance (DOF) kept the number at 5,000, which is consistent with the Compact. This is sufficient to allow UC to honor the Master Plan, continue growth at the graduate level, and continue planned increases in health science programs. The DOF also calculated a marginal cost of \$10,876 per student, higher than estimated in the University's budget document, which is a significant improvement over this year's rate of \$9,900.

### ***Governor's Research and Innovation Initiative***

On December 27, the Governor announced he will propose nearly \$95 million in the State budget to create the Governor's Research and Innovation Initiative. The initiative provides funding for major projects that will increase California's economic strength in key innovation sectors, including clean-technology, biotechnology, and nanotechnology. The proposal also reaffirms

California's position as a world leader in advanced research and innovation that creates jobs while preserving the environment.

As a part of his proposed Budget, the major components of the Governor's Research and Innovation Initiative include:

### ***Helios Project***

The Governor's Budget provides \$30 million in lease revenue bonds for the Helios Project, a groundbreaking initiative by the University of California's Lawrence Berkeley National Laboratory to create sustainable, carbon-neutral sources of energy. The Helios Project will produce the next generation of super-efficient solar energy technology that will help reduce greenhouse gases and our oil dependency. The Helios Project's four goals are:

- to generate clean sustainable alternatives to hydrocarbon fuels
- to develop new energy sources;
- to improve energy conservation; and
- to reduce greenhouse gas emissions. The \$30 million will be used to build a new energy/nanotechnology research building for the Helios Project.

### ***British Petroleum (BP) Initiative***

On February 1, British Petroleum announced that it selected the University of California, Berkeley, in partnership with Lawrence Berkeley National Laboratory (LBNL) and the University of Illinois at Urbana-Champaign, to lead a \$500 million research effort to develop new sources of energy and reduce the impact of energy consumption on the environment. The funding will create the Energy Biosciences Institute (EBI), which initially will focus its research on biotechnology to produce biofuels. A press conference was held on the Berkeley campus and those who attended it with me included Governor Schwarzenegger, Illinois Governor Rod Blagojevich, BP America Chairman and President Robert A. Malone, Chancellor Robert Birgeneau, LBNL Director Steve Chu, and Senate President Pro Tem Don Perata, as well as other dignitaries.

BP announced in June 2006 its plan to invest \$500 million over 10 years “to fund groundbreaking research aimed at probing the emerging secrets of bioscience and applying them to the production of new and cleaner energy, principally fuels for road transport.” In October, BP invited five universities, including UC Berkeley in partnership with LBNL, to submit plans for an institute to explore the fuels and energy sources of the future.

The Institute, with about 25 faculty-level principal investigators housed at UC Berkeley and the University of Illinois, will concentrate on three aspects of the biomass-to-biofuel equation: developing feedstocks, creating techniques for breaking down plant material to its sugar building blocks, and finding ways of fermenting the sugars into ethanol. These “cellulosic” techniques could lead to process improvements for existing ethanol plants. Eventually, the Institute expects to focus on biotech production of other fuels, such as butanol and hydrocarbon fuels that are closer to the gasoline we burn today.

In support of these energy initiatives, and in anticipation of the BP grant coming to the University of California, Governor Schwarzenegger and Assembly Speaker Fabian Nuñez

proposed last December that, if BP awarded half a billion dollars to UC, the State would add \$40 million more.

### ***California Institutes for Science and Innovation (CISI)***

The Governor's Budget provides \$19.8 million (General Fund) for the California Institutes for Science and Innovation (CISI). CISI is a multidisciplinary research effort by the University of California, working in partnership with private companies in the areas of information technology, biomedical research, and nanotechnology. With their express goal of sustaining California's global growth and competitiveness, these pioneering institutes bring the world's finest researchers together to find solutions to our greatest medical and technological challenges and position California at the forefront of research, innovation, and jobs. Since their inception, they have generated more than \$1 billion from private and federal sources, dwarfing the State's \$400 million initial investment. Charles M. Vest, President Emeritus of the Massachusetts Institute of Technology and President-elect of the National Academy of Engineering, said the San Diego Center "has collected the best team of research professionals anywhere in the country." The \$19.8 million will be used for the Institutes' operating costs.

### ***National Petascale Applications Resource Supercomputer Proposal***

The Governor's Budget provides the first \$5 million increment in State matching funds to enhance the University of California's bid to build a \$200 million Petascale computer. The National Science Foundation (NSF) plans to buy and install the \$200 million Petascale computer in 2011 and has launched a national bidding process for the design and management of the supercomputer facility. The new computer will be 1,000 times more powerful than any current NSF computing resource. The Petascale computer, named for the speed at which it can process information, will be the most powerful computer in the world. It will provide an enormous competitive advantage to California businesses and universities, helping to attract the best students and faculty from around the world. The Governor's commitment of these funds will enhance significantly the University of California's bid for this groundbreaking project.

The University of California and its UC-managed National Laboratories have formed the National Petascale Applications Resource (NPAR), a consortium of several California institutions, Georgia Tech., and IBM, to prepare a bid for the proposal. NPAR's California-based partners include Lawrence Livermore National Laboratory, the San Diego Supercomputer Center (SDSC), and Lawrence Berkeley National Laboratory/ University of California at Berkeley.

### ***Student Fees***

As you know, the University did not propose a student fee increase in the November budget plan, pending decisions to be made in the Governor's Budget.

Instead, the budget plan assumed revenue of about \$70 million from either a student fee increase or State funds if there was a buyout of the fees. Because of the State's fiscal situation, the Administration decided that another buyout of the fee increases was not affordable.

The Governor's Budget assumes a 7 percent general student fee increase for all students in 2007-08. In addition, it assumes a 7 percent increase in professional school fees, except in law and business which should plan for fee increases of 10 percent. A portion of the fee revenue generated will be set

aside for financial aid as described below.

The Governor's Budget also includes an increase in Cal Grants to recognize the 7 percent proposed fee increase for undergraduates, which also is appreciated.

The Regents will not be asked to set actual fee levels until their March meeting in order to allow time for consideration and input. Any fee increase proposal will be accompanied by a proposed increase in financial aid for needy low- and middle-income students to preserve the affordability of the University.

### ***Financial Aid***

The University's financial aid program is among the strongest in the country, with a proud track record of attracting and retaining low- and middle-income students, despite recent fee increases.

Consistent with past practice, a return-to-aid from new fee revenue for the coming year will be recommended: 33 percent for undergraduate and professional school students, and 45 percent for graduate academic students. The return-to-aid for undergraduates will provide enough funds that the fee increase is totally covered for the neediest students. There also will be sufficient funds to offer grant aid to middle-income needy students who typically don't qualify for grants; about half of their fee increase will be covered by grants.

For graduate students, several initiatives have been or will be implemented:

- Once again, nonresident tuition will be frozen for graduate academic students.
- The elimination of nonresident tuition for graduate students advanced to candidacy was implemented in the current year and will be continued.
- Both of these actions help to reduce the financial aid pressure for these students and will be continued.
- As discussed in The Regents' budget document, redirection of savings from Strategic Sourcing and other cost-saving efforts to increase graduate student support is being proposed.
- A portion of the funding provided within the budget plan would match the funds saved through cost-saving efforts, thus further increasing the level of dollars available for graduate student support.

### ***Student Academic Preparation and Labor Research***

The Governor's Budget once again proposes to eliminate State funds for student academic preparation programs and labor research, eliminating the \$19.3 million in State funds for student academic preparation, leaving only the \$12 million the University currently contributes to these efforts from its own resources.

The University has worked very diligently to develop a strong accountability framework for measuring the success of UC's efforts, and an initial report was provided last April. A second

report is expected this April.

Funding these programs has been a very political issue in recent years and obviously continues to be in the coming year. The same is true for labor research. The \$6 million that was restored as part of the agreement on the final budget for the current year was eliminated in the Governor's proposed budget. The University will be working very hard to try to facilitate an agreement between the Governor and the legislature to fund these programs as proposed. We are strongly committed to achieving adequate funding for these programs.

### ***Capital Outlay***

The Governor's Budget includes a capital budget of \$574 million for UC facilities. This figure includes \$305 million in general obligation bond funds for UC construction and renovation projects intended to address enrollment growth, earthquake and life safety, and infrastructure renewal, as authorized by voter-approved Proposition 1D. It also includes \$199 million in general obligation bond funds, also contained in Proposition 1D, for facilities and equipment to expand UC medical school enrollments and improve health care for currently underserved populations and communities in California, through expanded use of tools such as telemedicine. Essentially, the University's request was funded entirely, with one exception: the Riverside Environmental Health & Safety project, which was deferred at the campus's request. The Governor's Budget includes a State infrastructure plan that would place additional bond measures before the voters on the 2008 and 2010 ballots. UC's share would include \$345 million per year for 8 years.

### ***Medical School Expansion***

The Budget also includes the \$199 million available for capital needs related to planned expansion of our medical schools and telemedicine capability as one package.

The campuses with medical schools have been planning Programs In Medical Education (PRIME) designed to create more physicians who can meet identified health care shortfalls in medically underserved areas of the state, including rural and inner city areas.

As this expansion occurs, one focus will be on developing high tech approaches to health care. The bond funds approved for this purpose in November will be distributed evenly to each of the campuses with medical schools. We already have approved projects for four campuses: Irvine, Davis, San Diego, and San Francisco. UCLA's proposal will be forthcoming.

Expansion of these medical school programs will require additional instruction and research space that would provide for an expansion of about 10 percent in medical school enrollment (250-300 medical students).

### ***Merced***

The Budget continues the \$14 million in one-time funding for Merced provided in the current year. These funds will be combined with the ongoing base appropriation of \$10 million in permanent funds, enrollment funding, and student fee revenue the campus will receive from its students for basic support of the campus.

One-time funding will continue to be needed through 2010-11, when the campus is expected to

reach critical mass and be able to function without additional supplemental funding from the State, although the level of one-time funds needed will gradually decline after 2007-08.

### ***Other Adjustments***

The Budget includes an increase of \$10.5 million for annuitant health benefits and \$14.5 million for debt service payments on lease revenue bonds. This is in keeping with the Compact.

### ***Total State General Fund Operating Budget***

In total, the University would receive \$192.1 million in additional State funds for 2007-08, which is about a 6.2 percent increase, under the Governor's proposal. This shows a strong commitment to UC and to education in general, given the constraints on expenditures needed to eliminate the ongoing structural deficit. The University's State General Fund budget will total about \$3.3 billion.

### ***Next Steps***

The University must make its case to the legislature over the next several months. Hearings will start in March and the May Revise will be released sometime in mid-May. The legislature will conclude its hearing process soon after and the Conference Committee generally begins its deliberations in early June. A final budget by July is anticipated.

- *Health Professions Enrollment Growth:* The Governor's Budget contains \$3.92 million to fund the University's budget request related to State support for health sciences enrollment increases as follows: (1) \$1.053 million to fund the third year class of the Programs in Medical Education for the Latino community (PRIME-LC) at Irvine and the first year class for three new PRIME programs at Davis, San Diego, and San Francisco; (2) \$2.394 million for year two of the University's planned nursing enrollment expansion; and (3) \$473,000 for additional enrollment for the pharmacy program at San Diego.

In addition, the Governor's Budget includes \$757,000 to the University to restore nursing funding for expansion of entry-level master's nursing programs pursuant to Chapter 592 of the Statutes of 2005 (SB 73).

- *Academic preparation:* As was mentioned previously, the Governor's Budget proposes removal of \$19.3 million in State funding for UC's academic preparation programs, which help improve the academic performance of educationally disadvantaged students in K-12 schools across the state. This action would leave the \$12 million in internal resources that UC currently provides for these programs.
- *Labor research:* UC will seek continuation of the \$6 million in State funding for UC's labor research program eliminated from the Governor's Budget.
- *Retirement contributions:* The Governor's Budget did not include the \$60 million The Regents requested for the first phase of reinstating employer contributions to the UC Retirement Plan. The Regents, in discussing the State Budget at their January 2007 meeting, affirmed their intent to continue to request the funding in the final State budget and to continue to analyze and plan for the reinstatement of employer and employee



contributions to UCRP. Discussions with the Department of Finance on a reasonable plan for funding are continuing. Also, negotiations with the unions are ongoing. The actual effective date of the restart of employee and employer contributions to UCRP is not known.

## **DEPARTMENT OF ENERGY LABORATORIES**

### ***Lawrence Livermore National Laboratory (LLNL)***

On July 14, 2006, the National Nuclear Security Administration (NNSA) issued the final request for proposal (RFP) for managing the Lawrence Livermore National Laboratory (LLNL), following the expiration of UC's current management contract on September 30, 2007. In September 2006, The Regents formally announced that UC, in conjunction with Bechtel National Inc., would submit a proposal to manage LLNL. As part of the competition for the future management of Lawrence Livermore National Laboratory, the proposal by the newly-formed Lawrence Livermore National Security LLC, of which the University is a partner, was submitted to the National Nuclear Security Administration (NNSA) on October 25. Oral presentations with NNSA officials were held on December 12. NNSA is expected to complete its evaluation of proposals and may award the new contract by early spring. At this stage, the University is aware of two potential competitors. One team is headed by Northrop Grumman and the other is headed by Tri-Valley Communities Against a Radioactive Environment (Tri-Valley CARES). The proposal headed by Tri-Valley CARES was rejected by DOE in early January as it was considered to be inconsistent with the Department of Energy's (DOE) and NNSA's strategic planning. The University believes our team has submitted a strong proposal that brings together the scientific, management, and operations strengths of each of our partners and applies them in a strategic manner to ensure that Livermore Laboratory continues to excel and meet the mission set forth by the Department of Energy and the NNSA.

The LLNL RFP, which is similar to the one issued for LANL, requires that the new contractor be a single legal entity and that it offer jobs to LLNL employees in good standing. It also obligates the new contractor to provide at least two pension plans: the first must provide substantially equivalent benefits to those of UCRP, and the second must be a market-based pension plan.

Finally, the LLNL RFP requires that active employee and retiree medical benefits (including those for LLNL retirees already receiving benefits from UCRP) will be provided by the new contractor.

### ***Lawrence Berkeley National Laboratory (LBNL)***

In October, the Nobel Prize Foundation announced that Lawrence Berkeley National Laboratory (LBNL) astrophysicist George Smoot was awarded the 2006 Nobel Prize in Physics for his 1992 research providing the first substantial experimental evidence for the Big Bang theory of cosmology. Professor Smoot indicated his gratitude to the Laboratory and the University for providing the scientific freedom and culture of research that makes long-term experimental efforts like this possible. In addition, LBNL astrophysicist Saul Perlmutter recently received the Shaw Prize in Hong Kong and the Lincei Academy's Antonio Feltrinelli Prize in Rome for his leadership in discovering the accelerating expansion of the universe.

Celebrations of LBNL's 75th anniversary were held throughout 2006. As part of a year-long celebration, marked by lectures, exhibits, and special events, the Laboratory held a Founder's Day celebration on August 26. During the week of November 14, the Laboratory held a very successful scientific symposium followed by a gala dinner. Many dignitaries, including Secretary of Energy Samuel Bodman and Under Secretary of Energy Ray Orbach, attended.

### *Los Alamos National Laboratory (LANL)*

In late October, there was a discovery that a subcontract employee at LANL removed controlled documents and electronic media from the Laboratory. The attorney for the individual stated that the removal was not done for purposes of espionage. The University has been working closely with the Laboratory and our management partners on the Los Alamos National Security, LLC Board, as well as the Federal Bureau of Investigation, NNSA, and DOE, to address security concerns. Director Michael Anastasio has been aggressive in his actions to address the situation and to prevent a similar incident from occurring in the future. While the matter remains under investigation by the FBI, Director Anastasio was called before the U.S. House of Representatives Energy and Commerce's Subcommittee on Oversight and Investigations late last month to discuss this.

Under the terms of UC's former LANL management contract, UCRP liabilities and corresponding assets attributable to LANL employees who transferred their accrued UCRP service credit to the Los Alamos National Security, LLC defined benefit plan (the LANS Plan) must ultimately be transferred to that plan. The former contract also requires UC to intermittently transfer UCRP assets to meet the cash flow requirements of the LANS Plan until the terms of the final asset transfer are resolved.

At their meetings in May and September 2006, The Regents approved funding methodologies for transferring UCRP assets to meet the cash flow requirements of the LANS Plan. Subsequent to the September meeting, however, LANS reported that it could not accept interim UCRP assets on a cash-flow basis, since such transfers might affect its plan's tax-qualified status. Consequently, at the request of the DOE, The Regents approved, under interim authority in December, the payment of benefits directly from UCRP to participants retiring, or otherwise entering benefit status, under the LANS Plan. Payments from UCRP to LANS Plan participants will continue until the final transfer of assets is completed. To date, no UCRP assets have been transferred to the LANS Plan. The actions taken under interim authority in December and the future steps in the final asset transfer process were formally discussed with The Regents in January. Before the final transfer of UCRP assets, LANS will need to provide documents to satisfy the University's legal advisors regarding the LANS Plan status and assumption of liabilities. Additionally, the DOE will need to provide assurances and reasonable indemnification for any penalties, taxes, or costs related to such a transfer. Consultation with the UC Faculty Welfare Committee (UCFWC) and the UCFW Task Force on Investments and Retirement on the issues related to the LANS transfer is ongoing. The item presented to and discussed with The Regents in January can be accessed at: <http://www.universityofcalifornia.edu/regents/regmeet/jan07.html> (item 9C, Committee on Compensation).

## **GOVERNMENTAL RELATIONS**

### ***State Governmental Relations***

#### ***State Legislature Reconvenes***

On January 3, State lawmakers, including 34 newcomers, convened the 2007-08 legislative session.

While fewer than 250 bills have been introduced to date, we anticipate legislation to be introduced on health-care reform, higher education accountability, increasing the numbers and quality of math and science teachers, acceptance of career technical education courses as fulfilling the University's 'a-g' requirements, regulating the use of radio frequency identification devices (RFID), and additional legislation related to the hospital finance waiver, among other topics of greatest interest to the University.

#### ***Budget***

The State continues to struggle with budget deficits. The legislature's budget analyst, Elizabeth Hill, predicts that the gap between anticipated revenue and projected spending will be \$5.5 billion in the fiscal year that starts July 1. Also, while the Governor claims to have presented a balanced budget, the Legislative Analyst's Office claims, "The budget contains a significant number of downside risks and is based on a number of optimistic assumptions. Its key proposals raise serious policy and legal issues. Adverse outcomes in just a few of these areas could easily eliminate most or all of the Governor's proposed \$2 billion reserve."

#### ***UC Legislative Action Plan***

A University of California State Legislative Action Plan for 2007 has been developed. The goal of the plan is to restore the legislature's trust in the University and to secure the University's 2007-08 budget, as well as favorable outcomes on significant legislation. The plan identifies key legislative members with whom the University will develop and sustain positive relationships through the personal efforts of various parties, including UC leadership, key business and corporate supporters, alumni advocates, UC faculty and researchers, and other partner organizations, such as the student associations. The plan is now moving from development into implementation.

#### ***Anticipated Challenges for the University in the New Legislative Session***

While the Legislature is anticipated to focus heavily on health-care reform during the upcoming year, University-related matters that may prove challenging in the coming session include:

- restoring the Legislature's trust in the University following last year's executive compensation issues;
- ensuring the University's base budget as called for by the budget Compact, given the State's anticipated budget limitations;
- student fees;
- restoration of State and employee contributions to UCRP;

- restoration of funding for the University’s academic preparation programs and the UC Labor Institutes;
- compensation paid to the University’s lowest wage employees; and
- legislative proposals to have all discussions concerning compensation issues occur in open public meetings (Senator Yee’s reintroduction of AB 775).

In addition to building relationships with 34 new legislative members, the University must also make up for lost ground with many returning members, owing to past compensation matters and other issues.

### ***Sponsored Legislation***

In light of the aforementioned challenges facing the University, its sponsored legislative initiatives will be limited this year. While conversations continue about what specific items will be sponsored by the University, that list will likely be limited to requesting reauthorization of the California Subject Matter Projects, securing additional Assumption Program of Loans for Education (APLE) awards for the University’s Science and Math Initiative participants, and ensuring statewide access for UCTV. The University is also considering legislation calling for the development of a uniform State contract that would streamline the University’s contracting relationship with the State’s Department of General Services; Assembly Member Laird may author that legislation. In addition, Speaker Nuñez continues to express his interest in working with the University on legislation to create an endowment for UC transfer students.

### ***Next Education Bond Measure***

Speaker Nuñez has introduced AB 100, which would authorize a \$9.087 billion K-University education bond for the November 2008 ballot to be allocated as follows: \$6.2 billion for K-12, \$1.507 billion for the California Community Colleges, \$690 million for CSU, and \$690 million for UC. The higher education amounts are similar to those included in the bond that passed last November. AB 100 does not include funds for telemedicine. AB 100 is a starting point for the negotiations, which will continue throughout the legislative session. The Legislature has until June 2008 to place a bond measure on the November 2008 ballot.

In addition, the Governor proposed an infrastructure package that would include \$2.7 billion in general obligation bond funds for UC over an eight-year period, with new bond measures coming before the voters in 2008 and 2010. Specifically, the Governor is advancing the remainder of the 10-year infrastructure plan initially proposed last year. The University received the first of this funding from the 2006 education bond measure (Proposition 1D). The remainder of the infrastructure plan includes:

- A 5-year bond on the 2008 ballot giving UC and CSU each \$345 per year and the community colleges \$750 per year.
- A 3-year bond on the 2010 ballot giving UC and CSU \$345 each per year and the community colleges \$750 per year.
- No additional telemedicine bond funding.

## ***Federal Government Relations***

President Bush submitted his FY 2008 budget proposal to Congress on February 5. For the nation's research universities, the budget contains funding proposals that will please and disappoint.

The good news in the budget proposal is the President's continued support for the American Competitiveness Initiative (ACI). The ACI is a plan to increase significantly the federal investment in the physical sciences by doubling the budgets for the National Science Foundation (NSF), the National Institute for Standards and Technology (NIST), and the Department of Energy (DOE), Office of Science, over the next 5 to 10 years. UC researchers compete exceptionally well for NSF and DOE grants, so the prospect of doubling the budgets for those agencies is a very high priority on UC's federal governmental relations agenda. For FY 2008, the President is proposing to increase the DOE Office of Science budget by 15.8 percent and increase the NSF budget by 8.5 percent. These ACI proposals should receive strong bipartisan support from Congress.

Of concern in the President's budget is a proposal to reduce funding for the National Institutes of Health (NIH), the single largest source of federal research support for UC, accounting for more than half of UC's federal research funding. The proposal would cut NIH funding by more than \$500 million below the FY 2007 level. The University, led by the UC's Federal Governmental Relations Office, is committed to working in coalition with other research universities to fight off this proposed cut and convince Congress of the importance of increasing funding for the NIH. With so many exciting discoveries occurring in the biomedical sciences on nearly every UC campus, now is not the time to slow down NIH funding.

An agency that did not fare very well in the President's budget is the Department of Education, which would receive an overall budget reduction of one percent. Within that budget, however, is a proposal to increase the Pell Grant for financially needy students by \$550 for a maximum grant of \$4,600; however, the increase is offset by cuts to mandatory student loan/bank subsidies that Congress is unlikely to accept. UC is also disappointed that no new funding was proposed for the Department's academic preparation programs for low-income students or State grants to improve teacher quality.

The Congress will debate the President's budget over the next month and then begin writing the annual federal spending bills in the spring. The Office of Federal Governmental Relations will be conveying UC's support and concerns over various federal research, education, and health care programs to the California congressional delegation.

## **HEALTH AFFAIRS**

### ***Advisory Council on Enrollment Growth in the Health Professions***

The Advisory Council on Enrollment Growth in the Health Professions, co-chaired by Regent Lansing and Provost Hume, completed its work in January 2007 and submitted its final report, including a multi-year enrollment plan for growth through the year 2020. These plans are based upon the health workforce needs of California and the University's responsibility and capacity for meeting them. Specific recommendations for growth in five health professions (medicine, nursing, pharmacy, public health, and veterinary medicine) were developed for these professions.

Recommendations reflected an assessment of current campus infrastructure, as well as information about additional infrastructure needed to accommodate future growth.

The work of the Advisory Council is the culmination of a three-year process designed to address shortages in the health professions caused by a 30-year freeze on enrollment growth in the health sciences schools.

### ***Telemedicine/PRIME Initiatives***

Passage of the Kindergarten through University bond measure on November 7 makes \$200 million available to “expand and enhance medical education programs with an emphasis on telemedicine aimed at high-tech approaches to health care.”

This new funding for telemedicine and expansion of medical education programs marks an exceptional and special opportunity to address statewide objectives for training future physicians, 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 asked that medical school campuses develop new proposals that address both medical education and patient care needs. These campus proposals will be reviewed by the Office of the President and State officials in order to ensure that new funds meet campus needs and fulfill public expectations. Representatives from UC medical school campuses met with UCOP Office of Health Affairs and Budget Office at the end of January to develop a coordinated effort and plan for moving forward with next steps in this process.

## **HUMAN RESOURCES**

### ***Human Resources Accreditation and Assurance***

UC has engaged The National Academy of Public Administration (NAPA), which is a congressionally-chartered organization based in Washington, D.C., trusted to provide non-partisan advice, to design and test an HR Accreditation Model and Process to be used in evaluating the staff human resources functions at four pilot locations. UCLA Professor Joel Aberbach serves 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 these pilot sites: Lawrence Berkeley National Laboratory, UC San Francisco, UC San Francisco Medical Center, and designated HR and Benefits units in the Office of the President, e.g., Retirement, Health, and Welfare. The HR Accreditation Pilot Program will conclude in June 2007 with a report to The Regents thereafter.

### ***Reinstatement of UCRP Contributions***

In March 2006, The Regents adopted a policy to begin employee and employer contributions to UCRP at low levels, effective July 1, 2007, 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 to UCRP are intended to be the amount employees are now putting into the Defined Contribution Plan, about 2 percent of pay for most employees. The reinstatement of such contributions is subject to State funding, the completion of the budget process, and collective bargaining, as applicable.

### ***Pension Protection Act of 2006***

In August 2006, President Bush signed the Pension Protection Act of 2006 (PPA) into law. The PPA affects the University of California Retirement System (UCRS) plans in several ways, namely making permanent the higher contribution rates to the UC Tax-deferred 403(b) Plan and 457(b) Deferred Compensation Plan that were initially established by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and were scheduled to sunset in 2010. The PPA also expands eligible rollover distribution provisions in three significant ways: 1) it allows non-spouse beneficiaries to rollover eligible distributions from UCRS plans to eligible IRAs; 2) it expands provisions for rollovers of after-tax contributions; and 3) it allows for direct rollovers of eligible distributions from UCRS plans to Roth IRAs.

Although the new rollover provisions of the PPA are optional and plan administrators are not required to implement them, they are considered beneficial for UC faculty and staff and their beneficiaries. Consequently, a recommendation to amend the UCRS plans to implement the new rollover provisions was presented to and approved by The Regents in January. As provided for under the PPA, the new rules for non-spousal beneficiary rollovers and rollovers of after-tax monies became effective with distributions made after December 31, 2006. Direct rollovers of eligible distributions to Roth IRAs become effective with distributions made after December 31, 2007.

## **INFORMATION TECHNOLOGY INITIATIVES**

### ***President's Implementation Team: Information Systems Work Group***

The Information Systems Work Group, charged by the Regents' Task Force on UC Compensation, Accountability and Transparency to invest in a "modern, comprehensive, integrated human resources information system that enables compensation data to be quickly examined and analyzed so that UC can meet its obligation of public accountability," announced the on-time release of the Senior Management Information System (SLIS) in October. This system will collect, via automated feeds from the Payroll Personnel System, compensation data about the senior leadership compensation group, which is an expanded group of employees from the originally targeted Senior Management Group. The system will provide a Web-based interface for use by UCOP and the campuses for the entry of and access to compensation related data (including proposed compensation) for reporting and analysis purposes. System developers also are designing features for implementation after October to allow proposed compensation packages to show as current compensation, when approved; to report home loan data; to allow ad hoc query report capabilities; and to provide an annual compensation report. Additional system needs have been identified by the Executive Director, UCOP Senior Management Compensation, and the project team will provide an updated system development project plan to University leadership for review. The

Information Systems Work Group also will provide guidance in the development of a new UC Human Resources Information System for all UC employees.

### ***Proposed Policy on Stewardship of Electronic Information Resources***

The proposed policy on Stewardship of Electronic Information Resources has been presented to the University community for review and comment. The proposed Stewardship policy and guidelines (available at <http://www.ucop.edu/irc/itsec/uc/proposed.it.policy.html>) define the critical elements for ensuring appropriate management of University information assets, and are based on recommendations of the Universitywide Information Security Work Group (<http://www.ucop.edu/irc/initiatives/ucinfosecwg.html>). Comments on the policy and guidelines are due by November 30 to [itpolicy@ucop.edu](mailto:itpolicy@ucop.edu). Resources for campuses for managing data security can be found at a new Web site on IT Security at: <http://www.ucop.edu/irc/itsec/uc/welcome.html>.

### ***UC Grid Project***

The increased demands on the UC research cyberinfrastructure are a reflection of the growing centrality of information technology as a research tool and enabler across disciplines. Researchers need more computational power and faster network transmission capabilities, and to collect, generate, and analyze larger and larger data sets, often in collaboration with colleagues within UC and around the world. Such demand is taxing the capability of the existing networks, support staffs, and data storage and backup services, and increasing the administrative complexity for researchers seeking to access computing resources. Further, research computing resources today are generally available to a single campus only, making it difficult for researchers across the system to partner and increasing the systemwide costs of providing resources. The UC IT Leadership Council (ITLC) has tasked its UC Research Computing Group subcommittee to develop a proposal for a UC computing grid that would achieve an adaptive computing infrastructure across the UC system, allowing any type of computing service to be made available to a wide range of researchers at any location. In this way, extremely high-performance computation, visualization and data services can be made available to the community by leveraging existing resources that may be underutilized at any given time. The Research Computing Group is currently developing a prototype UC Grid to address this need to expose and leverage existing resources without a negative impact on research computing performance.

### ***Regents' Task Force on UC Compensation, Accountability and Transparency; Ethics Briefing Roll-Out & Related Conflict of Interest Training***

On November 8, the University introduced a Web-based briefing session intended to increase awareness about UC's Statement of Ethical Values and Standards of Ethical Conduct. The 30-minute module intended for all employees includes a video introduction from me, scenarios designed to help interpret and apply the Standards, and a closing video from former Regents' Chairman Parsky. The first wave of the roll-out reached approximately 3,700 employees including the Office of the President, the roughly 1,700 Designated Officials (i.e., those individuals with an annual reporting requirement under the California Fair Political Practices Act), and The Regents. This briefing module will continue to be rolled out at UC locations over the next three months, covering three locations per month. All employees will be asked to complete the Ethics Briefing within eight weeks of being advised that they have been registered for the course.



## **LABOR RELATIONS**

The University is currently negotiating successor contracts with University Professional and Technical Employees (UPTE) for health-care professionals and International Association of Firefighters (IAFF) for firefighters at the Davis and Santa Cruz campuses. Reopener negotiations for American Federation of Teachers (AFT) lecturers will begin on salary and workload issues early this year. Also this year, we will begin bargaining with United Auto Workers (UAW) for graduate students, American Federation of State County and Municipal Employees (AFSCME) for patient care technical employees, and California Nurses Association (CNA) for registered nurses.

Finally, the University has begun bargaining with the three major systemwide units, AFSCME, UPTE, and the Coalition of University Employees (CUE), over the restart of contributions to the UC Retirement Program (UCRP).

## **SUSTAINABILITY**

The UC Steering Committee on Sustainability met a year ago and asked that working groups be formed to review the following policy areas: Sustainable Purchasing, Climate Change, Sustainable Operations, Renovations, and Transportation. In October, the working groups presented their respective findings to the Steering Committee. In addition, presentations were made regarding sustainable food and waste reduction, along with a review/discussion of implementation progress to date on the University's Clean Energy and Green Building Policy.

Policy guidelines were presented for Sustainable Purchasing, Climate Change, Sustainable Operations, Waste Reduction, and Renovations. The Steering Committee approved, in principle, the suggested implementation guidelines presented. Revised language was resubmitted to the Steering Committee prior to approval and release of the updated policy guidelines.