

**PRESIDENT ROBERT C. DYNES
DISCUSSION TOPICS FOR THE MEETING OF
THE ASSEMBLY OF THE ACADEMIC SENATE
WEDNESDAY, JUNE 11, 2008**

AGRICULTURE AND NATURAL RESOURCES

Vice President Dooley Appoints Advocacy and Strategic Communications Task Force

Vice President--Agriculture and Natural Resources Daniel M. Dooley appointed a 16-member Advocacy and Strategic Communications Task Force in February to provide him with strategies for implementing a coordinated and sustained grassroots advocacy campaign, intended to build greater support for the University of California and its mission-based research and public service programs. The task force, chaired by UC Davis School of Veterinary Medicine Associate Dean Don Klingborg, will deliver a report to Vice President Dooley in mid-June with recommendations for increasing public awareness of Agricultural Experiment Station campus-based research efforts at the Berkeley, Davis, and Riverside campuses, and Cooperative Extension county-based research and education programs across the state.

The target audience for the report is elected officials and other external constituencies. Vice President Dooley, a water attorney and farmer, knows firsthand the impact and importance of UC's research, teaching, and public service programs. He sees a real opportunity for expanding public awareness and appreciation for how UC and the Division of Agriculture and Natural Resources (ANR) are making a difference in the lives of every Californian.

Vice President Dooley plans to implement the coordinated and sustained grassroots advocacy and education program, involving key external stakeholders and ANR campus and county-based academics, later this summer. A long-term goal is to generate increased public and private funding for UC mission-based research and public service programs. The ANR effort will complement the recently-launched "UC: The Way Forward" public education campaign.

Economic Impacts of Agricultural Research & Development: A California Perspective

A draft study prepared by University of California and University of Minnesota economists estimates that public funding for agricultural research and development generates a dividend of ten to twenty dollars or more for every dollar invested. Very few public or private investments return dividends on this scale. Professor Julian Alston, from the Department of Agricultural and Resource Economics at UC Davis, and Professor Philip Pardey, from the University of Minnesota, found that the international competitiveness and prosperity of U.S. and California agriculture has depended on steady, rapid productivity growth fuelled by public investment in agricultural research and development (R & D).

These productivity gains over the past 50 years have helped California farmers more than double agricultural production with only a modest increase in overall inputs (i.e., a weighted average of increases in use of land, labor, capital, fertilizer, fuel, etc.). From a global perspective, continuing growth in productivity is necessary to meet the challenges of a growing world population faced with a shrinking natural resource base. However, Professors Alston and Pardey

warn that trends to scale back public investment in agricultural research will slow farm productivity growth, and result in a decline in global competitiveness for California.

Professors Alston and Pardey argue that greater State and federal investment in R & D is needed if California agriculture is to continue to record the gains in productivity and efficiencies it needs to successfully compete in global markets over the coming decades. What is at stake is a \$32 billion industry, producing over 350 commodities, providing more than 50 percent of the nation's fresh fruits and vegetables, creating over one million jobs, and exporting more than \$10 billion a year in products.

ALUMNI RELATIONS

The Alumni Associations of the University of California (AAUC), the campus alumni associations, and the alumni office at UCOP are in the first year implementation stage of a five-year strategic plan for alumni relations. The five strategic goals of the plan are to:

1. Maximize alumni engagement;
2. Increase philanthropic support;
3. Increase alumni involvement as UC advocates;
4. Invest strategically in UC Alumni Relations; and
5. Increase the collective understanding of alumni contributions.

Since the plan was approved, the following priorities have been completed.

In terms of maximizing alumni engagement:

- The campus alumni associations have aligned their strategic plans with the systemwide strategic plan.
- Greater collaborations on the planning and execution of all UC alumni regional, national, and international events have been initiated to pool efforts and resources.

In terms of increasing alumni philanthropic support:

- To actively engage alumni in the cultivation efforts and nurture a philanthropic culture, an alumnus has been found for all of the campuses who is willing to match all senior gifts.
- Best practices are being reviewed on this topic.

In terms of increasing alumni involvement as UC advocates:

- To capitalize on communications and events, alumni publications are being used to better promote advocacy.
- Data mining is being done to better understand the characteristics and motivations of alumni who have become online advocates.
- To increase the number and impact of alumni advocate, the goal is to move from 13,000 online advocates to 75,000 online advocates.

In terms of investing strategically in UC Alumni Relations:

- AAUC meetings have been used for best practices discussions.
- To conduct and strategically disseminate research regarding the potential return of investigating alumni relations, a research firm has been hired to conduct a systemwide survey with young alumni to better understand why they give or do not give or why they join or do not join the associations.
- A small group from UC, which included the Vice Chancellor for Student Affairs and the Assistant Vice Chancellor for Alumni Relations at UC San Diego, the Assistant Vice Chancellor for Alumni Relations at UC Riverside, UC Regent Phil Bugay, the Assistant Vice President for Institutional Advancement, and the Assistant Vice President for Alumni Relations at UCOP, participated in the tour. The three institutions visited were the University of Virginia, the University of North Carolina, and Texas A&M. These institutions were chosen because they have been acknowledged for their excellent student engagement programs, and because they have higher levels of alumni giving.
- UCOP funded the campus alumni offices monies to enhance their online communities.
- The Office of Alumni Affairs at UCOP is looking for an alumnus who is an expert with technology planning to volunteer to help in setting up a systemwide advisory panel.

ADVOCACY

The following Sacramento Budget Advocacy events have been executed or planned:

- UC Day – March 4;
- Student Day of Action – April 21;
- UCLA Corporate Advocacy Day – April 30;

- Orange County Public Higher Education Advocacy Day – May 8;
- Student Leadership Forum (Academic Preparation students advocating for public higher education funding) – May 13;
- Agriculture and Natural Resources Lobby Day – May 20; and
- President’s Board on Science and Innovation Lobby Day – June 10 and June 24.

In addition, the following Budget Advocacy Press activities have been completed:

- Provost Hume, CSU Chancellor Reed, and CCC Chancellor Woodruff met with the Editorial Boards of the *Los Angeles Times* on May 19, the *Sacramento Bee* on April 28, and the *San Francisco Chronicle* on May 5 to stress the importance of public higher education funding for California’s future. They will also meet with the *San Diego Union Tribune*.
- Vice President-ANR Dan Dooley met with the *Fresno Bee* newspaper editors to discuss the role of ANR in the Central Valley on April 30.

April 23 was the kick-off date for new systemwide user-friendly software with multiple functionalities for both grassroots and grasstops activities as well as better information sharing between local, State and federal governmental relations staff.

Advocacy has signed a 6-month contract with an external consultant who will survey UC alumni and develop outreach materials to significantly increase our online community of UC advocates.

Advocacy is developing a systemwide plan related to securing bond funding in this year’s State budget for UC capital projects. More information can be found at www.ucforcalifornia.org.

COMPLIANCE AND AUDIT SERVICES

Compliance Program Development

Senior Vice President-Chief Compliance and Audit Officer Sheryl Vacca joined the University in October 2007. She has been actively creating the systemwide Compliance Office structure and staffing while also engaging in compiling a baseline inventory of compliance activities throughout the system. The initial focus of compliance activities is addressing topics of greatest Regental interest and recognized University risk including research compliance, contract and grant administration, conflicts of interest, and compensation.

In July, Senior Vice President Vacca will present for Regental consideration a plan for establishing the infrastructure of a systemwide UC Compliance Program including campus Compliance Committees, identification of a Chief Compliance Officer at each location, and a systemwide Ethics and Compliance Risk Council. The functions of these positions and groups will be largely coordinative in nature, leveraging from existing processes and resources. Substantial consultation with campus leadership and the Academic Senate has occurred in preparation of the proposal.

Compliance and Ethics Related Training

Previously rolled-out programs including the Compliance and Ethics Briefing, Conflict of Interest briefings for designated officials and for Principal Investigators and the State-mandated Sexual Harassment prevention training continue to be administered. The migration of these programs to dissemination through a systemwide Learning Management System (LMS) has been slowed by certain operational difficulties encountered in implementation. Existing efforts to monitor completion of the training requirements will continue through June. In September, when the LMS is expected to be operational, revised and improved training programs (more efficient, improved content, and easier access) will be implemented for dissemination to employees and faculty.

HIPAA Initiatives

In the wake of the publicity surrounding UCLA's HIPAA concerns, a multi-faceted initiative has been launched to ensure improved compliance with HIPAA privacy and security regulations. Task forces composed of and principally led by campus personnel with UCOP coordination are focusing on various aspects of the complex compliance issues. The task force workgroups are focused on systems capabilities to monitor and detect inappropriate access to protected information, monitoring and detection techniques and practices, University policies, workforce education, and enforcement actions including disciplinary practices. While activity principally concerns our five health sciences campuses, student health, and other appropriate perspectives are represented on the workgroups as well.

Bureau of State Audit (BSA) Textbook Cost Audit

At the request of the legislature in the summer of 2007, the BSA is in the process of conducting an audit to evaluate factors contributing to the cost of textbooks for students at UC, CSA and the California Community Colleges. The processes for selecting, procuring and disseminating new and used books are under review, but in addition, they are looking at market factors including industry pricing practices, the issue of "bundling" materials, and the use of various programs including book exchange programs.

The BSA has used a survey of students that, with UC influence, was orchestrated in a manner so as to target appropriate students, minimize confusion and interference with our critical student survey activities, and provide useful feedback.

Three UC campuses were visited by the BSA: UC Berkeley, UC Davis, and UC Los Angeles, reflecting representative but different models for bookstore operations. A single audit report

covering all three segments is expected in August. To date we are aware of no significant issues; however, we are aware that the BSA has recently raised certain copyright questions that are being addressed internally.

FACILITIES ADMINISTRATION

Sustainability

Student Regent Ben Allen placed a sustainability resolution on the agenda for the March 18th meeting of the Regents' Committee on Grounds and Buildings. The item applauds the University's award-winning sustainability efforts, supports current initiatives such as adding a sustainable food systems section to the Policy on Sustainable Practices, and encourages the University to consider raising the green building requirements in the Policy.

The 7th Annual UC/CSU Sustainability Conference, the largest higher education sustainability conference in the nation, will be held on July 31 through August 2 at Cal Poly, San Luis Obispo. Among the 13 tracks of sessions at the conference is a track on Curriculum and Research, and a Sustainability Across the Curriculum Leadership Workshop will be held prior to the conference. Further details can be found at: www.sustainability.calpoly.edu.

GOVERNMENT RELATIONS

State Legislative Session in Full Swing

With over 2,300 bills introduced in this year's legislative session, lawmakers in Sacramento rushed to meet the deadline to pass bills out of the house of origin on Friday, May 30. This month, these bills exchange houses, and each house must then complete policy hearings on all bills sent from the other house. June also marks final action on each house's version of the Budget for the next fiscal year and the commencement of the Budget Conference Committee to resolve differences and come up with a plan to deal with the deficit. In addition to our sponsored legislation concerning UC researcher protection, other legislative issues have been challenging UC this year, but we have also seen some critical successes on some of the most challenging bills. Legislation with the most significant potential impact on the University includes contracting, Title IX and gender equity in athletics, Iran divestiture, student financial aid, student fees and tuition, hospitals, and stem cell research.

Legislative Leadership Changes

On May 13, Assembly Member Karen Bass was sworn in as the first African-American female Speaker of the California Assembly, succeeding Fabian Núñez. In the Senate, Senator Don Perata will be succeeded as Senate President pro Tem by Senator Darrell Steinberg. Senator Steinberg will probably not take the post until sometime in late summer. Senator Dave Cogdill is the new Senate Republican Leader, taking over the post from Senator Dick Ackerman. Assembly Member Mike Villines remains the Republican Leader of the Assembly.

Sponsored Legislation

With a full plate of legislative challenges this year, UC limited its sponsored legislation menu this year.

AB 2296 (Mullin): UC is sponsoring and strongly supporting legislation to provide for more comprehensive and effective protection of animal researchers, AB 2296 (Mullin), the Animal Enterprise Protection Act. The bill passed the Assembly floor on a 76-0 vote on May 19. Previously, the bill was approved unanimously by the Assembly Judiciary Committee on April 17. In order to achieve passage, UC was forced to accept amendments that substantially narrowed the scope of the bill. In particular, UC was required to eliminate the sections of the bill that created new criminal penalties and that gave universities the right to bring civil actions on behalf of their employees. In addition, the bill was narrowed only to entities that enjoy a constitutional right of academic freedom – so the bill now does not apply to private industry.

AB 2296 would prohibit public Internet posting of animal researchers' personal information and authorizes significant civil remedies for violation of those provisions. UC could help its employees use those civil remedies.

The University and Assembly Member Mullin's office have been in negotiations with the American Civil Liberties Union (ACLU) and the California Newspaper Publishers Association (CNPA) regarding changes to the public records law to protect the identity of researchers. To date these discussions have not resulted in language acceptable to all parties. We have been advised by legal counsel that pursuing a very narrowly defined disclosure exemption as suggested by the CNPA could jeopardize UC's current legal position on pending public records requests at the campus level.

AB 2296 is supported by the California State University, the Association of Independent California Colleges and Universities, Stanford University, the University of Southern California, the California Institute of Technology, the California Postsecondary Education Commission, and the biotech industry groups (although they would like the definition expanded to include them).

While some in the University community may be disappointed that some of the key provisions of the bill were lost, the good news is that the Assembly Judiciary Committee devoted a lengthy hearing to this bill, and the legislature is now much more understanding of UC's issues. UCLA Vice Chancellor for Research Roberto Peccei and a counter-terrorism expert from the LAPD provided very compelling testimony.

Passage of this bill should be viewed as a positive first step for this year, and UC should look to future legislative efforts to restore some of the stronger aspects of the proposal. The federal legislation was a two-year effort. The passage of this bill, at a minimum, provides a strong condemnation of the terrorist actions by the legislature and the Governor, and the Internet posting prohibitions may turn out to be an effective tool as the law in this area develops.

AB 2296 will be heard by the Senate Judiciary Committee within the next two weeks. UC State Governmental Relations continues to work on language clearly delineating the legislature's condemnation of violence against researchers and providing additional civil protections.

Restoring UC's Trust and Credibility Remains High Priority

In the wake of executive compensation issues over the last few years, the University still needs to overcome mistrust on the part of the legislature, the public, and the labor unions. Two issues are at play: the actual compensation packages (e.g., salary amounts, perquisites, housing allowances, special mortgage loans, settlement and separation packages, exceptions to policy, and the like) and the perceived lack of transparency in the University's public disclosure of all elements of these packages. The UC State Governmental Relations Office has strived to give legislators and their staffs advance notice of certain high-profile compensation matters. Certain key legislators and staff continue to watch closely what UC does in this area, as legislative hearings on UC compensation are still a possibility. The executive compensation issues are often exacerbated by tensions between the University and its labor unions, many of whom have strong ties to the leadership in the legislature. The confluence of the grim State fiscal situation, increasing student fees, concerns among labor unions and low-wage workers, and executive compensation make this a particularly challenging year for UC in Sacramento.

New Bond Act for Capital Outlay

Passage of a new State General Obligation bond measure is essential to meet UC's capital needs, particularly in light of recent actions by the Senate and Assembly budget subcommittees to eliminate funding for all UC capital outlay projects associated with a November 2008 bond, except those equipment projects funded out of prior-year bond funding. Legislative leadership has put a halt to all bond measures in light of the State budget structural deficit. To be placed on the November ballot, the proposed education bond act would need to pass the legislature in July. Recent actions by Senate and Assembly Budget Subcommittees removed funding for all higher education capital outlay projects dependent on this proposed bond act.

Piecemeal Health Care Reform

The failure of last year's attempt to pass comprehensive health-care reform, which was spearheaded by the Governor and Assembly Speaker, has resulted in the introduction of numerous bills that would impose pieces of that proposal including issues such as balanced billing and transparency. Unlike the comprehensive package that balanced increased costs with new revenue and savings, the individual measures would impose only costs burdens on the medical centers at a time when budget cuts are in the offing. Recently, the Governor has announced a renewed, phased approach to health care reform. UC's concern is that the Governor may embrace the costly bills this year with no guarantee that the potential savings measures will be adopted in the future. UC is working with the Governor's Office and the legislature to ensure that the reforms will have minimal economic impact on the UC academic medical centers.

Other potential legislative challenges

Finally, among the 750 bills with significant impact to the University that State Governmental Relations is monitoring closely are the following:

AB 2083 (Núñez) and SB 1301 (Cedillo): These are identical bills that would allow undocumented students who qualify for a nonresident tuition exemption under AB 540 to apply for institutional aid at UC, the California State University, and the California Community Colleges.

UC supports both bills. AB 2083 passed the Assembly Floor on May 28 and is in the Senate awaiting committee assignment; SB 1301 was set for a hearing in the Assembly Higher Education Committee yesterday.

SB 1578 (Flores) would create a separate California Title IX to regulate gender equity in college athletics using different criteria than are used in federal Title IX regulations. The bill requests UC and requires the California State University to establish Offices of Gender Equity (OGE) at each campus and appoint a Title IX compliance officer with no other duties who would report to the OGEs. UC opposed this bill and demonstrated to the Senate Education Committee staff that the bill would be nearly impossible and would cost millions to implement. The bill has been held in the Senate Education Committee and is dead for this legislative session.

SB 1596 (Yee) would specify that UC contracts for goods, materials, or services may not exceed three years, and that extensions may not exceed one year. The bill would require a contractor responsibility program be established in which a contractor or subcontractor and its principals would be required to complete questionnaires under penalty of perjury. UC expressed major concerns over cost, and as a result, the bill has been held in the Senate Appropriations Committee.

SR 18 (Migden) would request that the University of California Education Abroad Program (UC EAP) fully reinstate previously suspended programs in Israel and the Philippines, and investigate incorporating Kenya and Nepal into the study abroad program. UC is actively monitoring the bill, which is in the Senate Education Committee. Provost Hume recently announced UC's program for improving and expanding student access to non-EAP programs, which serve more than 6,000 UC students each year.

AB 523 (De La Torre) would provide for new procedures for change orders and arbitration on contracts between the UC Regents and contractors working on UC structures. UC opposes this bill, and based on UC's cost estimates, the bill has been held in the Senate Education committee. UC continues to monitor the situation in case the bill should regain momentum this next month.

AB 624 (Coto) would require a private, corporate, or public operating foundation with assets over \$250,000,000 to collect specified data pertaining to its governance and domestic grantmaking. The University has not taken a position on the bill, but is working with various UC campus Foundations that have voiced concerns. The bill is in the Senate Business, Professions, and Economic Development Committee.

AB 2244 (Price) would require the Department of Public Health to establish a procedure for collection and review of the written staffing plans and other related information from UC hospitals. The University was in strong oppositions to this labor union (AFSCME)-sponsored bill before the most recent amendments to remove staffing ratios and penalties language. UC has removed opposition and has indicated "No Position," as the bill is now in the Senate awaiting committee assignment.

AB 3033 (Laird) would request UC and requires the Department of General Services to establish standard contract provisions for research contracts between UC and the State. UC supports this bill, which is set for hearing today in the Senate Education Committee.

ACR 79 (Anderson) would call upon UC to divest from foreign companies with business activities in the Islamic Republic of Iran. UC has concerns and high-estimated costs. The resolution passed the Assembly Floor on May 28 and is now in the Senate awaiting committee assignment.

FEDERAL GOVERNMENT RELATIONS

FY 2008 Supplemental Appropriations

Congress continues to work on an FY 2008 emergency supplemental appropriations package aimed at providing funding for the wars in Iraq and Afghanistan.

The House passed a version of the legislation that did not include funding for the war in Iraq or Afghanistan, but did include funding for select discretionary programs (more details below). On May 22, the Senate approved a two-part supplemental spending package that included \$165 billion for the wars in Iraq and Afghanistan as well as approximately \$10 billion in additional discretionary spending. Both bills include language placing a moratorium on seven Medicaid regulations (more details on this provision below).

Key components of the House and Senate supplemental appropriations bill include:

Research Funding

The Senate version of the supplemental appropriations bill includes increased funding for the National Science Foundation (\$200 million), NASA (\$200 million) and the Department of Energy's Office of Science (\$100 million).

UC Federal Government Relations is working closely with the higher education and research community to encourage the House to include the science funding proposed by the Senate in their legislation.

Veterans' Educational Benefits

Both the House and Senate supplemental appropriations bills include language that would expand the educational benefits for veterans who have served on active duty since September 11, 2001. To qualify, veterans must have at least three to thirty-six months of qualified active duty. Under the legislation, veterans would receive, proportional to their service, up to thirty-six months (four academic years) of payments covering the tuition for their program, up to the cost of the most expensive in-state public school, as well as a monthly stipend for housing, and an annual allowance for books and other supplies. Additionally, veterans would have up to fifteen years, compared to ten years under the current Montgomery GI Bill, after they leave active duty to use their educational assistance entitlement.

The University supports this legislation and the expansion of educational benefits for veterans.

Medicaid Regulations

Both the House and Senate supplemental appropriations packages include UC-supported language to delay, until April 2009, implementation of seven Medicaid regulations that would dramatically reduce funding to safety net hospitals, including approximately \$120 million annually from UC's five academic medical centers. The Medicaid rules in the legislation include those cutting payments for governmental providers, graduate medical education, hospital outpatient services, targeted case management services, rehabilitation services and school-based transportation and outreach services, and limiting provider taxes.

UC Federal Government Relations is continuing to work with a coalition of California safety net hospitals to urge Members of the California delegation to support and retain the amendment.

President Bush has expressed his intent to veto both of these bills should they arrive on his desk in the current form with additional discretionary spending attached.

House leadership is now considering next steps on what action to take regarding the Senate legislation. Under the current scenario, the House can enact what the Senate passed or amend it further, and send it back to the Senate where they hope the Senate will pass it and send it on to the President. The President is likely to veto the bill in its present form, forcing the cycle to begin again.

Higher Education Act Reauthorization

Key House and Senate negotiators are working to complete action on reauthorizing the Higher Education Act (HEA) before the current extension expires on June 30. The process was delayed with the sudden illness of one of the principal negotiators, Senator Edward Kennedy (D-MA), chairman of the Senate Health, Education, Labor, and Pensions Committee. On June 2, Senator Kennedy announced that Senator Barbara Mikulski (D-MD) will negotiate on his behalf so that the process can continue.

There are a few remaining issues UC and others in the higher education community want to change before the process is complete, and we are working with key California committee staff regarding these concerns. UC urged education leaders to revert to compromise language on accreditation that was accepted in the earlier House and Senate bills, which prohibits the Secretary of Education from regulating standards for accreditation in all areas, including faculty and facilities.

The University has also registered its ongoing concerns about cost provisions that may lead to requiring public institutions to report additional, in some cases duplicative, information about State finances to the Secretary of Education. The University supports sharing data about any of its programs and costs, but does not believe the many new requirements and regulations in the draft conference report will improve the University's transparency or services to students and families.

The University also has concerns with peer-to-peer file sharing provisions in the draft conference report. UC spends considerable effort deterring infringement and illegal file sharing by educating

campus communities about copyright laws, expeditiously responding to cases of alleged violations through policies, statute, and the judicial process, and managing its networks. The proposed conference report would require that universities develop “plans to detect and prevent unauthorized distribution of copyrighted material on the institution’s information technology system.” The University opposes the words “to detect” since this raises privacy and content monitoring concerns and would interfere with long-standing University communications policy.

Many national associations are urging their members to relay their concerns on these issues to their congressional delegations. While we share the associations’ views, UC is waiting to see if the language can be modified further before asking individual campuses to get in touch with their Congressmen. In addition, UC FGR staff continues to meet with Congressional staff regarding this important legislation.

NASA Reauthorization

H.R. 6063, the NASA Authorization Act of 2008, was introduced by Representative Mark Udall (D-CO) and marked up by the House Science and Technology Committee on June 4. The bill would authorize \$19.21 billion for NASA, including \$4.9 billion for science and \$853 million for aeronautics. UC FGR is working with the Association of American Universities (AAU) and the broader science and education community to urge support of the bill.

Orphan Works Legislation

Legislation is now pending in the House and Senate that would create a framework for the copyright treatment of “orphan works” which are copyrighted works for which the owner cannot be identified. Museums, libraries, and universities support efforts to implement a new framework for dealing with “orphan works.” However, while there are many positive aspects of the legislation, the bills that are currently pending raise some problematic issues. Chief among our concerns are provisions within both the House and Senate bill that would require public institutions, such as state universities, to waive any sovereign immunity rights as a condition of eligibility to participate in the orphan works framework as outlined in the legislation. In addition, the House bill includes a costly and burdensome “Notice of Use” requirement which would mandate parties to conduct extensive filings with the U.S. Copyright Office about proposed uses on a per-orphan works basis. The Senate bill does not include a similar provision. UC also has concerns with both the House and Senate draft versions on “best practices” language for compliance. UC FGR has been in discussions with Hill staff about the various provisions of the legislation as well as working to coordinate efforts for the higher education community on the legislation.

Endowment Issues

In recent months there has been considerable attention on university endowments and whether Congress should mandate a five percent payout rate. The Senate Finance Committee has shown particular interest in endowment related issues. Earlier this year, many universities, including UC, received inquiries from the Senate Finance Committee asking them to provide information about their institution’s endowment. UC’s response was submitted and can be found online at <http://www.universityofcalifornia.edu/news/article/17428>. At present, legislation has not been

introduced in the Senate that would mandate a five percent payout rate. However, the issue of the uses and purposes of endowments and universities efforts to control college costs continues to be on the minds of many members of Congress. UC FGR is monitoring this issue closely.

Patent Reform Legislation

Patent Reform legislation, which has been pending in Congress, appears to be stalled. The House passed a bill last fall and the Senate Judiciary Committee passed a version, but the legislation has not gone to the full Senate. Discussions appear to be ongoing but, given that the legislative year is shortened due to the upcoming election and that the bill is highly controversial among many intellectual property holding constituencies, it is unclear whether the legislation will be enacted this year. The Senate bill as drafted still had a number of provisions of concern to the University. FGR and the UC Offices of General Counsel and Technology Transfer, as well as campuses, have been closely monitoring developments and have provided feedback about the legislation to Congress. The legislation has run into serious problems over the way damages are calculated in patent infringement cases. Marty Simpson, of the Office of General Counsel, was invited to participate in negotiations over the damages language on the Senate side. The University also feels that a number of issues dealing with start-up formation and technology transfer present a potentially negative impact; these remain to be worked out. FGR continues to monitor developments closely.

UC Vice Chancellors for Research Meet in Washington

On May 19 and 20, FGR hosted a meeting of UC's Council of Vice Chancellors for Research (COVCR) at the UC Washington Center. This group convenes regularly, including once a year in Washington. This was the first meeting chaired by Vice President for Research and Graduate Studies Steve Beckwith. The agenda included updates by staff from FGR, House and Senate committees, as well as agency and such association leaders as Kathie Olsen, Deputy Director of NSF, and John Parmentola, Director of Army Research and Laboratory Management. At the group's dinner on Monday evening, Congressman Jerry McNerney delivered remarks regarding science policy and funding issues before Congress. The meeting provided the Vice Chancellors with a valuable opportunity to discuss key federal issues and engage leading figures from Washington's science community in dialog.

CNSF Day in Washington, D.C.

FGR is coordinating UC participation in the annual Coalition for National Science Funding (CNSF) Exhibition and Reception on Capitol Hill for Members of Congress and staff. The event showcases the crucial role of the National Science Foundation in meeting the nation's research and education needs. Several key members of Congress and staff, as well as the Director, Deputy Director, program officers and others from NSF, regularly attend this event, which will be held on June 25. UC Berkeley, UC Davis, UC Riverside, and UC San Diego will have NSF-supported researchers in Washington for meetings on Capitol Hill to deliver the message of the importance of funding for the NSF and to participate in the Exhibition.

HEALTH AFFAIRS

PRIME: Growth of Medical School Class Size

The first phase of growth for all UC medical schools has begun to occur through the development of UC's new Programs in Medical Education (PRIME). The PRIME programs consist of five-year (M.D. and Master's degree) programs at each UC medical school, offering specialized education, training and support for students who wish to acquire added skill and expertise as they pursue careers that prepare them to care for people who suffer disproportionate disease burdens.

Individually and collectively, these programs seek to address the needs of California's underserved populations in both rural communities and urban areas. Each UC new program has an area of focus that is selected based upon faculty expertise, the populations served by each school and its medical center, and other local considerations. Each is developing new guidelines for admission and recruitment of students, and a new curriculum to prepare students as future leaders, clinicians, and advocates for the communities they will serve. While each campus is designing and implementing individualized evaluation programs, all are also working together to develop a comprehensive systemwide evaluation plan for PRIME.

Focusing on the growing needs of California's Latino communities, UC Irvine launched the first UC PRIME program in 2004 and admitted their fourth class of twelve students in July 2007. Three other UC schools (Davis, San Diego, and San Francisco) and the UCSF-UC Berkeley Joint Medical Education Program (JMP) admitted their first classes in fall 2007. These programs focus on rural health and telemedicine (Davis); the urban underserved (San Francisco and the UC San Francisco-UC Berkeley JMP); and health equity (San Diego). In summer 2008, UCLA will launch its PRIME program in coordination with longstanding partners UC Riverside and the Charles R. Drew University of Medicine and Science.

At full enrollment, the PRIME programs will offer approximately 70 new first year medical student positions, representing an approximate 10 percent increase over 2004 enrollment levels.

Proposals for New Health Sciences Schools

Beyond the increases in medical school enrollments through the PRIME programs, a number of major new initiatives are actively underway which are intended to lead to the establishment of new health sciences schools and programs. In May, UC Merced sought and gained approval from The Regents to continue planning for a School of Medicine. Among the other proposals likely to go forward to The Regents for action and approval over the next six months are proposals to establish a new School of Medicine at UC Riverside and a new School of Nursing at UC Davis. Other new proposals in nursing (at UC Irvine) and public health (at UC Davis) are anticipated sometime in the 2009 calendar year. UCSF, on behalf of the system, continues to plan for a new multi-campus School of Global Health. It is recognized by State and University officials that these efforts will require significant new investments beyond the funding required for existing enrollments and programs.

Telemedicine and the California Telehealth Network

Telemedicine is interactive health care over distance, using telecommunications and other information technology--i.e., connecting healthcare providers electronically so that they can share information and receive or provide consultations with medical specialists. California has been a national leader in telehealth and telemedicine, and considerable efforts have begun in recent years to expand telehealth and broadband access across the state.

The 2006 Kindergarten-University Public Education Facilities Bond ("Prop 1D") includes \$200 million in funding for capital improvements at UC for new infrastructure to expand class size at UC medical schools and to develop programs in telemedicine aimed at developing high-tech approaches to health care. Much of this funding has already been allocated to campuses for infrastructure projects that are underway. At the May 2008 Regents' Meeting, The Regents approved an allocation of \$10 million in Prop 1D funds dedicated to purchasing telemedicine-related equipment that UC medical schools will use to support affiliated community clinics and programs under long-term use agreements. This equipment is intended to improve access to health-care services by underserved California communities.

At the request of the Governor, UC is managing the development of a new statewide project, the California Telehealth Network (CTN). The CTN will receive over \$30 million in federal and other funding to connect over 300 primarily rural California healthcare facilities to a statewide and nationwide broadband telehealth network. The CTN is funded by the Federal Communications Commission and others, and is being co-managed by UCOP and UC Davis. A health-care facility's costs for the network connection, installation and design will be covered under CTN funding, and some capital equipment costs may be offset as well. CTN will train and support healthcare facilities in using telemedicine equipment, and assist them in establishing relationships with specialty providers. The CTN will be a peer-to-peer network, enabling high-quality broadband connection to a statewide and nationwide network dedicated to health care, offering communities increased access to specialty medical care in more than forty specialties, continuing education/distance learning, disaster preparedness, and access to new technologies.

HUMAN RESOURCES AND BENEFITS

Retirement Benefits Administration Review – Request for Proposal

A team from Human Resources and Benefits (HR/Benefits) is exploring the feasibility of new business models for performing administrative services for the UC-defined benefit plans, including the University of California Retirement Plan (UCRP), the 415(m) Restoration Plan and the PERS Plus 5 Plan, as well as the UC retiree health and welfare plans. As part of this review, the team is considering the possibility of moving certain operational work to an outside vendor. This project is part of the overall restructuring strategy being led by The Regents to achieve a more strategically-focused, efficient, and effective organization. The goal is to streamline HR/Benefits to make it less transaction-oriented and more focused on core needs and services that are clearly linked to the President and to the mission of the University.

In conjunction with Strategic Sourcing, and with the assistance of Deloitte Consulting, the HR/Benefits team created a comprehensive request for proposal (RFP) to solicit bids from a variety of prospective vendors. Different options are being considered, such as moving all retirement-related operational work to a vendor or where some or all of the tasks are retained at UCOP. Under all options, primary responsibility for overseeing plan administration and policy and design work would remain with HR/Benefits.

The RFP was issued in early April 2008, and the decision target is October 2008, which will allow time to consult with the University Committee on Faculty Welfare (UCFW). Only after evaluating the proposals from potential vendors can an objective decision be made by senior management, in consultation with the UCFW and other stakeholders, regarding the most efficient way to perform these administrative functions while maintaining appropriate levels of service. If a decision is made to move some or all retirement operational work to a vendor, the process would take 12 to 18 months.

Proposed Staff Policy on the Re-employment of Retirees

A new proposed policy has been drafted governing the reemployment of employees who terminated from their UC employment and elected to receive UCRP monthly retirement income or a Lump Sum Cashout. (Employees who elected either option are considered “retired.”) The policy, based on current rehire of retirees guidelines, covers SMG, staff, and academic employees who are reemployed in SMG or staff positions and is more restrictive than the guidelines. The reemployment of academics in academic positions continues to be delineated in the Academic Personnel Manual.

Under the proposed policy, all reappointments of staff and academic employees into staff positions, including any exceptions to policy, must be approved in accordance with local procedures. However, any such reappointments that exceed 43 percent must be approved by the President of the University. Reappointment of retirees into SMG positions or at salaries exceeding the Indexed Compensation Level of \$205,000, as well as any exceptions to the policy regarding these reappointments, must be approved by The Regents.

The proposed policy is in the early stages of management review. It is anticipated that the policy also will require review and approval by The Regents. Upon finalization and approval of the policy, a communication campaign is planned to ensure that all UC locations understand the new policy and processes. This will include an outreach effort to department offices where most of the rehire activity occurs.

Staff and Academic Reduction in Time (START) Program

In response to the State of California’s fiscal crisis, Human Resources and Benefits (HR/Benefits) is proposing that a new Staff and Academic Reduction in Time (START) program be implemented effective from July 1, 2008 through June 30, 2010, subject to Regental approval of necessary amendments to the University of California Retirement Plan (UCRP). Approval was granted at the May 2008 Regents’ meeting. The proposed program has similar provisions to the previous START program that was effective from June 1, 2003 through June 30, 2006. A new

START program would achieve short-term salary savings in response to budget shortfalls. Campuses have indicated strong support for the implementation of a new START program, citing the success of the previous temporary program in addressing budget reductions by responding to both employee and employer needs and in reducing the need for layoffs.

The START program is designed to achieve temporary salary savings through the voluntary reduction of appointment percentage and corresponding pay. Regular status (career/non-probationary) full- and part-time UC employees and academic appointees, except for those in faculty and student academic titles and Postdoctoral Scholars, may voluntarily reduce their appointment percentage by a minimum of 10 percent of full-time up to 50 percent of full-time in monthly increments per START contract. A participant's work schedule may not be reduced below 50 percent time in any given month of participation.

In return for a voluntary reduction in time, participants will accrue vacation and sick leave at their pre-START rate. UCRP Service Credit will also accrue at the pre-START rate provided that the employee remains on pay status for at least 50 percent time during each month of participation. In the event of a participant's death or disability, UCRP survivor and disability income will be based on the participant's unreduced salary. Thus, participation in START will not have an impact on a participant's UC benefits.

HR/Benefits Consulted with the UC Retirement System Advisory Board, the University Committee on Faculty Welfare (UCFW)'s sub-committee, and the UCFW Task Force on Investment and Retirement. The Academic Council recommended that in the event employee and employer contributions to UCRP are required during the period that the START program is in effect, the program be designed so that UCRP would receive the full contribution that would have been made on the employee's unreduced, pre-START pay. The program is consistent with this recommendation.

Labor Relations

In my previous report, I gave an overview of then-ongoing negotiations for additional increases for low-wage workers with various unions. In May and June of 2007, we successfully reached agreements with the unions that had not previously settled. As a result, we were able to implement across the University additional increases for workers earning at a rate of less than \$40,000 per FTE.

During the second half of 2007, the University reached agreement with the American Federation of Teachers (AFT) representing lecturers. Pursuant to the agreement, the lecturers received a salary package worth approximately 5 percent, including equity adjustments. Modifications were made to workload language for writing and foreign language programs. The University also reached agreement with the UAW for academic student employees. This group received a 5 percent pay increase, effective October 1, 2007. As a result of the negotiations, limited issue local bargaining was eliminated. The contract will expire in June 2010.

On March 9, UC entered into a three and one-half year tentative agreement (through September 30, 2011) with the AFT for the librarian bargaining unit. The agreement calls for limited equity increases at the low end of the librarian scale effective April 1, 2008, and for salary discussions

to take place after the passage of the State budget for 2008-09. In 2009-10 and 2010-11 there will be reopeners on salary issues. The AFT agreed to continue its linkage to Senate Faculty with respect to benefits.

On March 15, the University and the California Nurses Association reached a three-year agreement for Registered Nurses. The agreement provides market based wage increases and calls for reopener bargaining on the subjects of retirement and health and welfare benefits, as well as wages. The contract will expire in 2010.

The University has been negotiating for many months with AFSCME for two bargaining units, patient care technical and service. Despite the fact that the University has made exhaustive efforts to reach agreement and made significant movement at the bargaining table, AFSCME threatened a two-day strike for each bargaining unit on June 4-5. The union rescinded its strike notices when it was advised that a State administrative agency was going to join UC in seeking a legal restraining order based primarily on the threat to public health and safety by the potential patient care technical strike. We continue to be available to work with State mediators to try to reach appropriate settlements.

INFORMATION TECHNOLOGY INITIATIVES

Systemwide Authentication Infrastructure – UCTrust

UCTrust was created by the Information Technology Leadership Council on April 17, 2006, to enable authorized campus individuals to use their local campus login IDs to access participating services throughout the UC system, such as employee self-service Web sites. UCTrust is based on industry standard technologies and a common set of identity attributes and identity management practices. During the intervening two years, most UC locations have joined UCTrust, including the Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, and San Diego campuses. Participation by the remaining UC locations is anticipated by the end of 2008. The list of applications or services that use UCTrust for access authentication is also growing and includes:

- At Your Service Online;
- the Effort Reporting System;
- UC Learning Center (human resources learning management system); multiple commercial library content providers; and
- a growing list of local applications at the campuses, particularly UCSD and UCLA.

Next-Generation Data Center Strategy

UC's current computing environment is highly decentralized, costly to maintain, and insufficient to meet growing faculty research and teaching needs. Each campus has at least one central computing facility in addition to multiple departmental "data centers" that house research computing clusters. The high cost and limited supply of both space and power place significant constraints on the University's ability to provide sufficient computing resources for the long term. In recognition of this urgent problem, Associate Vice President and Chief Information Officer Kristine Hafner, is

working with the UC IT Leadership Council to launch a study to assess current challenges and to develop a more cost-effective and energy-efficient approach to providing UC computing services to meet the needs of faculty and researchers across disciplines. The study is expected to begin in early summer. “Fast-track” options will be proposed for those campuses that have urgent needs for additional capacity and can join forces now to identify short-term solutions. One focus of the study will be “green” IT initiatives that will reduce UC’s energy usage and reduce costs, as well as recover presently unused computing capacity. The study will support the development of a data center consolidation business case for review by the President and the Council of Chancellors.

Electronic Accessibility Policy Initiative

With the support of the IT Leadership Council (campus, medical center, and laboratory Chief Information Officers and IT Directors), Associate Vice President Kristine Hafner introduced an informal initiative in June 2007 to develop avenues for making electronically based information and programs accessible to people with disabilities, including students, faculty and staff, alumni, and the public: (1) A small work group of campus IT managers, Web developers, and ADA compliance officers has developed a systemwide Web site that provides guidance and information for University Web developers about how to create accessible Web sites, which can be found at <http://www.ucop.edu/irc/itaccessibility/resources/>; and (2) Language has been developed for inclusion in RFPs for information technology products to help University purchasers make informed decisions about accessibility when investing in new systems and software. The sample language can be viewed at: http://www.ucop.edu/irc/itaccessibility/procureprod_access.html.

NATIONAL LABORATORIES

Lawrence Livermore National Laboratory

Lawrence Livermore National Laboratory (LLNL) is continuing to confront a budget shortfall situation that has resulted in the need for a workforce restructuring initiative. LLNL Director George Miller, working with the Lawrence Livermore National Security LLC’s Board of Directors and the Department of Energy, is taking aggressive steps to address the shortfall and has been diligent in communicating to LLNL employees and the public. In order to keep the public informed about the budgetary situation and the necessary steps being taken, the Director has worked with the local media through editorial boards and guest editorials to ensure accurate information is available.

Compared to FY 2007, increased costs, inflation, and reduced federal funding have resulted in a \$280 million shortfall over current operations. The principal components of this shortfall:

- \$50 million of inflationary increases;
- a \$100 million decrease in federal funding, principally due to a reduction in NNSA assigned programmatic work at LLNL;

- an \$85.6 million increase in costs due to public to private conversion of the LLNL contract/ contractor, involving changeover from the University of California, a public sector employer to Lawrence Livermore National Security (LLNS), LLC, a new private sector employer. This amount includes increased costs of benefits associated with UCRP and health benefits; and,
- a \$44.2 million increase in the maximum management fee and expense.

These last two items would have occurred regardless of who the new contractor was as the new contractor was required under the terms of the RFP to be a private corporation and the fee was set forth by the Department of Energy.

To make up this shortfall, LLNL initiated its response in FY06, before the new contract, through reductions in both non-labor expenses and labor costs. Since the majority of LLNL costs are associated with people, these financial factors required workforce reductions of more than 2000 employees over a two-year period (October 2006 through October 2008) through a combination of normal attrition and voluntary and involuntary separations.

The new contract and management team has enabled LLNL to put in place efficiency improvements to more effectively deliver services and to position the Laboratory for the future. Completion of the workforce reduction at the end of June and the ongoing implementation of efficiencies will result in a Laboratory that can more effectively fulfill its mission to provide exceptional science and technology to help solve the nation's most important problems.