

**PRESIDENT ROBERT C. DYNES  
DISCUSSION TOPICS FOR THE MEETING OF  
THE ASSEMBLY OF THE ACADEMIC SENATE  
WEDNESDAY, MAY 10, 2006**

**BUDGET AND FUNDING**

Hearings on the University's operating and capital budgets continue, although no actions are being taken by the subcommittees pending release of the Governor's May revision, due out in mid-May. Subcommittees will conclude their work during the week of May 15, and it is expected that the Assembly and Senate versions of the budget will be submitted to a budget conference committee in early June to iron out differences. We are hopeful the budget will be approved on time, by July 1.

**EXECUTIVE COMPENSATION ISSUES**

On April 13, the Task Force on UC Compensation, Accountability, and Transparency issued its report, which can be found at:

[http://www.universityofcalifornia.edu/news/compensation/taskforce\\_report.pdf](http://www.universityofcalifornia.edu/news/compensation/taskforce_report.pdf)

On April 24, PricewaterhouseCoopers presented the findings of its audit of compensation and employment arrangements of selected UC employees, and it can be accessed on our Web site at <http://www.universityofcalifornia.edu/news/compensation/>.

On May 2, the Bureau of State Audits released its audit of UC compensation practices, which focused on 100 campus and Office of the President senior management positions. The results of that audit can be found at <http://www.bsa.ca.gov/pdfs/reports/2006-103.pdf>.

I have taken action to begin rectifying the University's compensation problems and prevent them from happening again. These actions include:

- Immediate and full disclosure of executive compensation decisions by The Regents.
- A requirement that all exceptions to compensation policy for senior managers receive my approval in consultation with The Regents, as an interim policy.
- A requirement that all separation agreements for key positions or with a value of more than \$100,000 be approved by The Regents, as an interim policy.
- A requirement that the general counsel and vice president for financial management review all presidential offers of employment before they are made.
- A requirement that renovations to chancellors' residences and offices costing in excess of \$25,000 receive the approval of the president, with Regents' approval required for projects on the president's residence or office costing in excess of \$25,000.
- Training for executives to ensure compliance with University policies.

- Ethics training for all UC employees, including communications about existing whistleblower programs and anti-retaliation policies.
- Appointment of a central coordinator for Public Records Act requests coming in to the Office of the President.
- Establishment of an Implementation Committee to recommend action on the policy issues raised by the Task Force on UC Compensation, Accountability, and Transparency.
- Development of a modern, comprehensive, integrated human resources information system for executive compensation.
- Issuance of corrected W-2 forms for 20 senior managers, including myself, to reflect benefits that the University did not properly report as taxable compensation.

In addition, with The Regents, we have a process underway to achieve fundamental and long-lasting reform. That process consists, first, of examining the findings of the audits and reviews that both the University and the State have commissioned--the most exhaustive and complete review of UC compensation ever conducted. And second, it consists of working with The Regents at their May meeting to begin adopting long-lasting corrective actions.

## GOVERNMENT RELATIONS

### *State Governmental Relations*

#### *Update on 2006 University-Sponsored Legislation*

- **SB 1520 (Ducheny):** The University is sponsoring this urgency measure to ensure the University's health system can effectively implement the Medi-Cal hospital finance waiver. Specifically, SB 1520 clarifies that the five UC academic medical centers are a "system" for the purposes of the Medi-Cal hospital financing waiver. SB 1520 passed the Senate Health Committee without opposition on March 29, and was assigned to the Senate Appropriations Committee. Since the bill does not increase State General Fund costs or reduce State revenues, under California Senate rules, the bill will move directly to the Senate floor without a hearing in Appropriations Committee. Because SB 1520 received no opposition in the Health Committee, it will be placed on the Senate floor's consent calendar to be acted upon with other non-controversial measures in a single vote.
- **SB 667 (Migden):** In addition, the University will be continuing its efforts begun last year on sponsored legislation related to competitive bidding. SB 667 would allow UC to select the most responsible bidder for a construction project on the basis of the best combination of price, qualifications, relevant experience, and demonstrated management

competency. The University continues to meet with contractor and union organizations to work out their concerns about allowing some subjectivity in the awarding of construction contracts. The bill awaits a hearing in the Assembly Business and Professions Committee.

- **CSMP and APLE:** Finally, the University will also be pursuing efforts to reauthorize the California Subject Matter Projects (CSMP) and to expand the Assumption Program of Loans for Education (APLE) to assist students who plan to become math, science, and special education teachers.

### *Legislative Consideration of UC Compensation Policies and Practices*

While no new hearings are currently scheduled on UC compensation matters, the subject will continue to be a focus of the Legislature as it considers the following compensation-related legislation. In addition, the Assembly has indicated that it will consider the University's compensation issues following the release of the State Auditor's report, which occurred on May 2.

### *Budget Hearings*

On April 17, the Senate Budget and Fiscal Review Subcommittee No. 1 on Education reviewed the University's State-funded support budget, but did not take action, pending release of the May Revision of the Governor's proposed spending plan. Vice President--Budget Larry Hershman represented the University during the hearing. Subcommittee members reviewed issues such as student enrollments, fees, student academic preparation, nursing program augmentations, the Governor's math and science initiative, and State-funded research.

They also heard an update on UC compensation practices by Robert Hertzberg, Co-Chair of the Task Force on UC Compensation, Accountability, and Transparency, which was particularly well received. Mr. Hertzberg is a former California Assembly Speaker. Senator Jack Scott, who chairs both the budget subcommittee and the Senate Education Committee that held two hearings on UC compensation matters in February, asked that Mr. Hertzberg assist the subcommittee and the Legislature in drafting UC compensation reporting language for the Senate's budget bill.

### *Compensation-Related Legislation*

**SB 1117 (Denham):** This bill expresses the Legislature's intent to "propose that the people of the state amend the California Constitution to eliminate the independence of the University of California if the University refuses to voluntarily disclose the system of compensating University of California management executives." The bill also asks the University to disclose annually to the Legislature all compensation provided to its management executives. SB 1117 is not yet scheduled for hearing.

**SB 1181 and SB 1571 (Maldonado):** These two UC compensation related measures were introduced by Senator Abel Maldonado. SB 1181 would require the California Postsecondary Education Commission (CPEC) to produce a biennial Supplemental Report on Academic and Executive Salaries at UC, CSU, and the California Community Colleges, including the total amount of remuneration and other benefits each senior level higher education executive/manager receives. Also, SB 1571 would require the California State University and the California Community Colleges to (1) post on the Internet their policies for setting and adjusting compensation, as well as their policies for approving transfer agreements, separation agreements, and settlement agreements for all employees, including information on the total value of settlements reached between them as employers and their employees, and (2) report on the total compensation provided to executive and senior-level administrators at both the systemwide and campus levels; the bill asks the University to provide this same information.

On April 27, the Senate Education Committee passed SB 1181. In approving this bill, Chair Jack Scott announced that it would be amended to require the California Postsecondary Education Commission to develop a template for UC and CSU to provide information on the total compensation of its senior executives. The California Community Colleges were removed from the bill. The bill will be heard next by the Senate Appropriations Committee. Given the reporting requirements now amended into SB 1181, SB 1571 was held by the Committee.

#### *Assembly Judiciary Committee passes three bills of interest to the University*

On April 18, the Assembly Judiciary Committee advanced three bills that are being followed closely by the University:

- **AB 2260 (Negrete McLeod):** This bill deals with special licensing programs that permit foreign physicians to practice at sponsoring California public and private medical schools and their affiliated hospitals. The University supports the bill that would allow these foreign physicians to practice with all the rights and privileges of a California medical license. The bill will be heard next by the Assembly Appropriations Committee.
- **AB 2179 (Leslie):** This bill provides for indemnification of UC Regents, Officers, employees, and contractors due to claims resulting from decisions not to invest in firms with significant business activities that benefit the Sudanese government. The University supports the bill, which will be considered next by the Assembly Higher Education Committee.
- **AB 2721 (Mullin):** This bill would create a State Office of Intellectual Property in the State Department of General Services to track State-funded research, among other provisions, will be heard next by the Assembly Business and Professions Committee. The University has not yet taken a position on AB 2721.

### *Medical center leaders carry UC message to lawmakers*

On April 17, Chief Executive Officers from the University's five academic medical centers visited 36 offices of the Legislature, nearly one-third of the Capitol's legislative offices. The CEOs were in Sacramento visiting lawmakers and legislative staff as part of the annual UC Academic Medical Center Day. The CEOs highlighted the special services provided by the University's academic medical centers and the significant support provided to medical education and research. They also explained why each hospital is unique, outlined the challenges facing UC teaching hospitals, and discussed how the hospitals can be an educational resource for legislators and staff. Associate Vice Chancellor and CEO David Callendar of UCLA, CEO Mark Laret of UC San Francisco, CEO Rich Liekweg of UC San Diego, Acting CEO Bill McGowan of UC Davis, and Interim CEO Maureen Zehntner of UC Irvine participated in the day's activities.

### *State Infrastructure Bond Proposals*

Legislative leaders continue to meet to work out details on an infrastructure bond for the November ballot. The education portion of the infrastructure bond seems to remain unchanged from the version negotiated last month, which provided UC with \$345 million per year for four years for base capital needs and \$200 million for medical education facilities expansion. Legislators are still discussing whether they will authorize one two-year education bond (for the November 2006 ballot) or two two-year education bonds (for the November 2006 and 2008 ballots). Legislators have until June 29 to place a bond on the November ballot; they have until early August to place a bond on a supplemental November ballot.

### **PRESIDENT'S ADVISORY COMMISSION ON AGRICULTURE AND NATURAL RESOURCES**

The President's Advisory Commission on Agriculture and Natural Resources (PAC) brings together senior leaders from the University of California and the State's agricultural, natural resources, environmental and human resources sectors twice a year. Former President Richard C. Atkinson established the PAC to strengthen communication with these important sectors, reinvigorate the University's land-grant mission, and build greater understanding and support for research, Cooperative Extension and teaching programs. I decided to continue the PAC when I became president in October 2003. Commissioners are appointed to an initial three-year term and are eligible for a second term.

During the President's Advisory Commission meetings, participants share new information and ideas, discuss emerging issues facing California's agricultural, natural resources and related human resources sectors, and gain exposure to and awareness of high-priority issues and challenges in which UC can make a difference through research, instruction and public service. The Provost and Senior Vice President--Academic Affairs, the Vice President--Agriculture and Natural Resources, and I attend and participate in PAC meetings. The Senior Vice President--University Affairs and Vice President--Budget also attend, as appropriate.

To facilitate and encourage discussion, the President's Advisory Commission meetings feature formal presentations by University academics and commissioners on emerging and high-priority issues. For example, the major presentation topic at the Spring 2006 PAC meeting held last month in Berkeley was, "Invasive Pests and Diseases: Plant, Insect and Microbial Threats to California."

Three UC presenters--Timothy Paine, Professor of Entomology and ANR Program Leader for Agricultural Policy and Pest Management, UC Riverside; Carol Cardona, CE Veterinarian and Poultry Specialist, UC Davis; Edwin Grosholz, Associate CE Marine Specialist, UC Davis--and Kevin Andrew, Commissioner and Senior Vice President -- Operations for Sun World International, shared their insights and expertise. Their presentations focused on terrestrial systems, preparing for avian influenza, marine and aquatic invasive species, and the challenges facing California agriculture, respectively, followed by an open discussion on research and extension needs.

Major presentation topics at the previous three PAC meetings included: "Food Biosecurity and Agricultural Bioterrorism: Risks, Threats and Challenges," "International Trade and Global Competition," and "Nutrition, Food and Health: Research and Education Making a Difference for Californians."

The President's Advisory Commission also has been successful in strengthening industry and public support for research, public service and teaching programs at UC, communicating the University's role in creating and disseminating the new technologies and scientific advances that California agriculture and other businesses rely on to stay competitive, and expanding the network of advocates working on behalf of UC in Washington, D.C. and Sacramento. There are currently 25 commissioners; nearly 50 individuals have served on the PAC since it was established in 1998.