UC Assembly, Wed. June 14, 2006

The meeting was called to order at 10:00a.m.-2:00p.m.

I. Roll Call.

II. Minutes approved

III. Prior to the meeting, President Dynes had sent a written statement on several topics. [see attached]

In his oral presentation, Dynes opened with a discussion of the recent Regents’ meeting which focused on compensation issues. The Regents had reviewed the various audits conducted recently and endorsed their recommendations for transparency and for following established policy.

He elaborated on the five part action plan:

1. Establish a closer working relationship between the administration and the Regents.
3. Require full disclosure of all compensation issues to the Regents, Governor, and Legislature.
4. Construct a new human resources system for senior management in the short run and for all in the long run.
5. Move from a culture of exception to a culture in which exceptions are rare.

Dynes said that to keep UC competitive we must balance entrepreneurship with transparency.

Dynes then discussed the final stages of the deliberations over the State budget.

The Regents are discussing raising student fees to meet the growing needs of the state such as 200 million, to expand medical programs and substantial funds to cover academic preparation and increase student diversity.

He noted that the move toward a digital library would result in cost reductions that will provide funds for other needs.

He announced the appointment of Rory Hume as the new Provost and Jeffrey Blair as the Acting Comptroller.

The floor was open for questions:
Question: Has UCOP become too large and less effective? Could things be done better on the campuses with a smaller staff at UCOP? Is there a plan for cutting the size of the staff of UCOP?

Dynes said that 1500 people work at UCOP and that there is a committee headed by Hume to look at the size of UCOP.

Question: Professor Anthony Norman raised a question on faculty salaries for the coming year.

Dynes said that we do have the compact with the Governor and thus an assured amount for increases, but that he would hope for more.

Question: Professor Manuel Martins-Green asked about the enrollment policies and explained how UCR is being disadvantaged by there being no caps for enrollment on other campuses.

Dynes said that they are discussing this issue.

Question: Will the 200 million for medical programs only go to existing medical programs?

Dynes said that legislature wants to support disadvantaged regions, rural and urban. All depends on the 200 million bond issuing passing in November that would authorize the funds in 2007-08.

Questions: John Oakley said that he has recommended that there be a System wide Ombudsman. Is there a move in this direction?

Dynes said that everything is up for grabs and that this issue is being debated.

Question: What is Dynes’ view of the new UC/Bechtal partnership at Los Alamos?

He said that the quality of the science being done needs to be overseen by UC faculty especially as the Lab becomes more of a business. At the same time, those outside are seeing the university as being more of a business, and this perception has consequences.
The new three volume budget of the Lab will be at UCOP, and a committee with substantial faculty input will be involved in decision making. There is much concern about avoiding conflicts of interest.

**Report from UCAP:**

Anthony Norman reported that UCAP conducted a survey in the fall of CAP practices and cultures in the system. They are very different on different campuses. It is supposed to be one system, but that is not the case. They are working on changes to the APM 22018B which covers Professor Step 6 and Above Scale. They are rewriting the language for these rankings.

He said that the Academic Council and Provost Hume have asked for a review of the merit and promotion system. There is concern about how Off Scale is used on different campuses.

As for salaries in general, it has been twelve years since we were at parity with the comparison eight schools.

Guiding principles for what is needed:

1. Restore faculty compensation at all ten campuses.
2. Create a rank and step system that is fair.
3. Create Salary schedules that are connected to disciplines and fields. Each field has a different salary scale.
4. Faculty must consider market value issues and be in dialogue with Governor, Regents and Legislators on these matters.

The faculty must have contingency plans if leaders do not agree with these issues.

**Report from UC Committee on Faculty Welfare:**

Professor Russell:

1. Contributions to retirement funds: the UCFW produced a written briefing on where it stands. Retirement funds are not at risk. The State backs the UCRP. But we also need to keep the funding at 100%, and after many years of there being no required contribution form faculty, we now must resume modest contribution by individual to keep the fund strong.

2. Parking: UCFW has recognized that for several years parking has been an irritant. UC says it must be self-supporting, but we know that most employers provide parking. The Master Plan put forth parking as a privilege, but the administration has always charged faculty. The fees go to pay for bike paths, new spaces, and buses. There has been no formal consultation with Senate about parking. In June, 2002, the Council adopted a set
of parking principles. The Assembly says that the budget for new building should include funds for parking spaces. Negotiations are on-going.

UC Committee on planning and budget:

Stanley Glance:

1. UCPB has been working with UCFW on compensation issues.

2. UCORP has been revising protocols for the California Science and Information Institute in Southern California for more active Senate engagement at the campus level.

3. UCPB has also raised concerns about the Los Alamos partnership.

4. There will be a report forthcoming on:

   --The privatization model such as U. Michigan and U. Virginia. Would that mean UC would need one and a half billion per year. This is impossible.

   --Massive fee increases of $20K per year. We currently face a shortfall of 20 million per year because of the decline of non-resident applicants. Michigan has seen financial success with its model, but its standing has slipped.

   --They have one-third of their students coming from out of state in order to bring the high fees.

   --UC must get public support back. UC needs an additional one and half billion per year and all California public colleges need an additional three billion total to be sound.

The meeting was adjourned at 2:00pm.

Emory Elliott
Delegate, Academic Assembly
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:

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 Hertberg, Co-Chair of the Task Force on UC Compensation, Accountability, and Transparency, which was particularly well received. Mr. Hertberg 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. Hertberg 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.

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**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.