



OFFICE OF THE PRESIDENT

BRUCE B. DARLING  
Senior Vice President – University Affairs

Office of State Governmental Relations  
1130 K Street, Suite 340  
Sacramento, California 95814  
(916) 445-9924  
Stephen A. Arditti, Assistant Vice President and Director

June 26, 2006

The Honorable Leland Yee  
Member of the California Assembly  
State Capitol, Room 3173  
Sacramento, California 95814

Dear Assemblymember Yee:

**Re: AB 775 (University of California Open Meeting Requirements), as amended June 20, 2006  
Scheduled to be heard in the Senate Education Committee on June 28, 2006  
Position: OPPOSE**

On behalf of the University of California, I write to express our strong opposition to your measure, AB 775, which would amend Education Code provisions relating to the University of California Board of Regents open meeting requirements.

Before addressing the specific provisions of AB 775, I want to inform you of the Regents' very strong and very clear commitment to transparency and disclosure in compensation matters. The University and The Regents are literally changing the way they conduct business.

The Regents have endorsed the recommendations of the Hertzberg-Kozberg Task Force on Compensation and work is underway to implement those recommendations. Among them are requirements for:

- Annual reports to the Legislature on total executive compensation;
- Prompt public disclosure of Regental compensation actions; and
- A common template for compensation reporting.

In addition, The Regents are also recruiting a new slate of upper-level management, including a Chief Financial Officer, a Chief Operating Officer, and a Chief Compliance Officer. These individuals will help ensure strong management and oversight practices. They will bring best practices from the private sector to run the administrative and financial operations of the University.

At the same time, however, we have serious concerns that AB 775 goes too far and would hamper the ability of the University to function effectively.

First, the bill requires all discussions of and actions on compensation for 22 top officials – including the President and the Chancellors of the University's 10 campuses -- to occur in open session of the Board and its committees. The Regents already take the formal action on compensation for these individuals in open session at the full Board level, and we do not object to requiring committees to also act on executive compensation in open public session. However, the bill also requires all discussions of the compensation for these individuals also be held in open public session. The Regents oppose this later proposal as it fails

recognize that the Regents discussions of executive compensation are intertwined with discussions about the performance and value of individuals, as well as with negotiations that are often going on with individuals. Debating in public whether the University can recruit a new chancellor for one amount over another, or whether they're more valuable than another chancellor who earns a different amount, will not make the University an attractive place for talented people to come.

Conversely, if these discussions do not take place among the Regents, the board would be relegated to serving only as a rubber-stamp – adopting whatever the University President proposes because The Regents feel constrained from having a public discussion that might tarnish the reputation of an eminently qualified person. A rubber-stamp board is the exact opposite of what we believe you and the citizens of California expect and deserve.

In addition, it is important to note that sometimes information relevant to compensation decisions simply *can't* be made public – for instance, what someone is earning currently at a private institution, which is confidential, non-public information. The Regents are very worried that requiring that all compensation *discussions* be public when not all relevant *information* can be made public would lead to uninformed decision-making.

Further, it is important to recognize that the University is in a relatively unusual position in comparison to most state agencies, in that we recruit from and compete in a national pool largely represented by private institutions. That's true for faculty, and it's increasingly true at the administrative level as we try to bring more private-sector management capability to UC. It's a different negotiating environment, and one that may require a different set of guidelines than applies to some other public agencies.

The two other components of the bill also would create significant problems. First, the bill would apply the same open-meeting requirements of the Regents to any advisory body with at least one Regent on it.

As you may know, the University President is a Regent. The Assembly Speaker is a Regent and the Governor is a Regent. It's very possible that some of the routine administrative meetings that are necessary to conduct the work of the University would become open meetings under this bill. And, it's not inconceivable that this bill could impact how ex officio Regents here in Sacramento conduct their work, if they hold meetings that fall under the provisions of the bill.

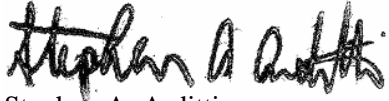
Finally, this provision about advisory bodies goes well beyond what is contained in both the Brown Act and the Bagley-Keene Act, in that it would apply to any "advisory body" even if the body were not created by formal action of the board. As currently worded, this provision may also apply to University search committees which would significantly impact the ability of the University to remain competitive in attracting the highest quality faculty, staff, and executives.

Second, the bill contains inaccurate information about the University's 1992 Principles on Executive Compensation. Those Principles state that discussions and actions on executive compensation *programs* must occur in public. However, *programs* are different from *individual compensation items*, as the Principles reflect. Therefore, the bill's conclusion, that requiring open-session discussion of individual compensation items is consistent with the University's practices since 1993, or with Chairman Parsky's statements about those practices, is mistaken and inaccurate. For individual compensation items, the Principles clearly allow for closed-session discussion, though they also require action be taken in public session by the full Board for specified top-level positions – which The Regents do follow. This legislative language appears simply designed to bolster a current legal challenge facing the University which we believe should be determined by the court based on current state law, not legislative intent about what the law should have been.

The Honorable Leland Yee  
Page 3  
June 26, 2006

For all of these reasons, the University of California must oppose AB 775. If you would like to discuss this matter further, or if you have any questions regarding our position, please feel free to contact me or Legislative Director Karl Engelbach at (916) 445-9924.

Sincerely,

A handwritten signature in black ink that reads "Stephen A. Arditti". The signature is written in a cursive, slightly slanted style.

Stephen A. Arditti  
Assistant Vice President and Director  
State Governmental Relations

cc: Members, Senate Education Committee  
Chairman of the Board of Regents Gerald L. Parsky  
President Robert C. Dynes  
Senior Vice President Bruce B. Darling