

UNIVERSITY COMMITTEE ON PLANNING AND BUDGET (UCPB) ANNUAL REPORT 2022-23

TO THE ASSEMBLY OF THE ACADEMIC SENATE:

The University Committee on Planning and Budget (UCPB) met ten times in Academic Year 2022-23 to conduct business pursuant to its duties to advise the President and other University agencies on policy regarding planning, budget, and resource allocation as outlined in [Senate Bylaw 190](#) and in the *University-wide Review Processes for Academic Programs, Academic Units, and Research Units* (the "[Compendium](#)"). The major activities of UCPB and the issues it addressed this year are outlined briefly, as follows:

BUDGET, ENROLLMENT, STATE RELATIONS, AND ADVOCACY

The University's Chief Financial Officer, Associate Vice President for Budget Analysis and Planning, Associate Director of State Government Relations, and other senior administrators joined UCPB each month to discuss the development of the 2023-24 University budget plan, the State budget, and the progress of budget negotiations and advocacy in Sacramento. UCOP leaders also spent time to brief UCPB on the risk landscape faced by the University, timing and application of a faculty salary increase, and rebenching review efforts. UCPB Chair Senear supplemented these updates with in- and between-meeting summaries of business from Academic Council and UC Regents meetings, and the monthly budget calls hosted by the UC Provost.

As has become common in recent years, the state budget process extended beyond the June 15 legislative deadline. A budget shortfall resulting from a decrease in income tax receipts due to declines in the real estate and stock markets was projected initially by the LAO to be \$23B. This has subsequently been revised upward in different amounts by the LAO and DoF. Significant uncertainty results from an extension of the income tax filing deadline for 2022 to October 15 for most California counties due to the effects of winter storms. Personal income tax is the largest revenue source for the state. The budget the Governor signed accounts for a \$31.5b revenue shortfall and spends \$225B. If the difference between 2022 collections of \$148B received and that anticipated in the proposed spending plan is not made up by the October filing deadline, either a declaration of fiscal emergency to allow the deployment of state reserves or mid-year budget cuts will ensue.

The funding compact between the UC and the Governor ensured a five percent increase to the UC base budget, provided specific enrollment targets were met. A decline in community college students wishing to transfer to UC has imperiled that part of the agreement; the labor action on behalf of graduate students means that meeting a proposed increase in graduate student enrollment will also be challenging. Despite this, the University continues to fare well in comparison to other state agencies. While many received cuts to their budgets, the University received its five percent base budget increase, though some previously passed one-time allocations were extended over a longer period. However, this places the University at risk for mid-year budget cuts early next year should a final state deficit be realized. As in past years, the legislature appended trailer bills designed to influence University policies through the budget process. There was general acknowledgement that previous state budget crises resulted in the early termination of past funding agreements between the State and the University.

Increases to undergraduate enrollment agreed to by each of the nine undergraduate campuses as necessary to the compact targets will interact with changes to the Budget Allocation Model (formerly rebenching). This includes adding a new 1.5 weight for students from LCFF+ designated schools and reducing weights for non-MD health sciences doctoral students to match the current weight of 2.5 for academic doctoral students. The weight for MD and veterinary students will remain 5. A workgroup on set asides is expected to be formed this summer with

representation from each campus. General agreement is that fewer set asides would be beneficial, but there is no guarantee that additional ones will not be approved. Changes are expected to be phased in starting in FY2024.

A joint UCPB/UCFW letter to President Drake outlining concerns about faculty salary competitiveness was approved by Council. A follow-up call from UCPB to start the faculty salary increase at the start of the fiscal year as is done staff was also approved by Council but was not successful. However, many campuses used information from the Senate discussion of these letters to inform their Chancellor about other campuses applying salary increases to both on- and off-scale salary components, increasing the number of campuses so doing.

Consultation on Cost of Instruction

In January, UCPB received a briefing on the two methods to calculate the per-student cost of instruction used to project the amount required to fund enrollment increases, e.g., as promised in the University's compact with the governor. One method addresses the total cost increase while the other addresses the marginal cost share expected to be funded by state allocation. The calculations include the cost to add faculty to meet increased student numbers but do not address necessary capital costs. The marginal cost per student also blends a twelve percent doctoral student population with the undergraduate population and is included in base budget yearly increases. The current marginal cost calculation yields an average of about \$10,000 per student in excess of tuition. UCPB noted that the marginal cost has proved insufficient to maintain an appropriate student faculty ratio and to grow doctoral programs to twelve percent at many campuses.

Labor Costs Consultations

Following the negotiated labor agreement with graduate students, UCPB met with Vice President Pamela Brown, IRAP staff and members of UC Legal to understand budget impacts of the new labor agreements. UCOP noted faculty need information about their roles as supervisors of employees, that grant monies would not be sufficient to cover increased labor costs, departmental funding agreements with doctoral students may need revision, admission planning needs to take funding of graduate student researchers and teaching assistants into consideration, and that without sufficient housing, ongoing labor disputes are likely. Cost estimates of the new contracts were presented, although estimates were revised throughout the year.

In April, Vice President for Research and Innovation Theresa Maldonado briefed UCPB on efforts to mitigate negative impacts of the labor agreement on grant-funded research. While granting agencies are aware of the new salaries' effects on grant budgets, there exists no supplemental money for labor costs. President Drake and Federal Government Relations staff continue to discuss funding with government agencies, especially requesting additional funding for graduate research training programs.

OTHER BRIEFINGS AND ISSUES

UC Insurance and Risk Landscape

In June, AVP and Chief Risk Officer Kevin Confetti met with UCPB and reported on Fiat Lux Risk and Insurance Company. The company is ten years old and allows the University's risk to be viewed on a global or portfolio basis rather than siloed. It also allows the UC to cover risks for which it cannot purchase insurance in the open market, such as sexual misconduct. For this and other uncovered risks, Fiat Lux fills gaps in the "stacked" coverage from other providers. Fiat Lux covers 41 different lines of coverage and is investigating providing insurance to UC Health as a stop loss for medical insurance coverage for employees, renters insurance for students, student damage deposits, and potentially homeowners or auto insurance to faculty and staff.

UC Health

Carrie Byington, EVP, University of California Health and Todd Hjorth, Director of Finance, UC Health, gave a presentation about funds flow from UC Health to the campuses and the role and future of UC Health and the wider University. The discussion with UCPB focused on the marginal unspent funds. There remains some difficulty comparing how funds are allocated among medical centers, with each campus reporting operating expenses differently.

Although the medical centers fund very little research directly, clinical salaries are paid by the medical centers. UC Health argues that clinical providers do not spend all their time in practice, but also have research and teaching responsibilities, such as supervision of students and residents. Consequently, it considers salary expenditures to constitute indirect support of the teaching and research missions of the University.

There is a looming crisis in medical providers in the state, partially driven by health workforce issues, leading to hospitals closing, creating healthcare deserts. Dr. Byington wants UC Health to cooperate with the state to close these gaps and provide UC quality healthcare statewide. She noted that UC Riverside and UC Merced are not ready for independent hospitals or medical centers, and that the cost to build hospitals is extremely high. The current model is to partner with community hospitals who they must pay to train residents. Both campuses have multi-million-dollar losses each year. Their problems cannot be solved at the campus level, which has been the model in UC Health. While these must be addressed at the system level there is no model for doing so.

Budget Director Hjorth offered to return next year and report on the deep dive into UC Health funds flow to UCPB.

Consultation with UCOP – Capacity Report

In November, Vice President Brown, Director Greenspan, and Associate Vice President Alcocer discussed the 2030 Capacity plan and its relation to the compact. The proposed plan is to grow by 17,000 undergraduate and 6,000 graduate students by 2030, created to secure an ongoing five percent base budget growth and the buyout of out of state students. A second, more aggressive, aspirational Building 2030 Capacity Plan created by Chancellors envisions growing by 20,000 undergraduate and 10,000 graduate students.

The state has not kept up with the capital needs to support student growth. The UC must decide whether to hire ladder rank faculty to serve the needs of graduate students at the expense of undergraduates or reduce costs to admit and teach growing numbers of undergraduates by hiring non-ladder rank faculty, reserving current faculty for graduate instruction.

Agriculture and Natural Resources (ANR)

Tu Tran, Associate Vice President for Business Operations, ANR, discussed the structure of ANR and campuses and the continuum between the AES mission and the cooperative extension mission. ANR has a FY23-24 projected budget of \$277M – state funding is \$121M, or 44 percent, federal is \$20.8M or 7 percent with county funds, endowment and other sources making up \$22.4M, 8 percent, \$11.6M, 4 percent, and \$24.2M, 9 percent respectively. Competitive grants and others provide \$77.2M, 28 percent. Campus-based extramural funds obtained by the specialists (contracts, grants) stay on the campus where they are. This practice has been controversial.

There is high demand on campuses for science topics needed across the state, like fire science. ANR reaches out to campuses to find where a particular research topic of interest is covered.

Ideally, a specialist is placed in an environment where they can grow and bring the science from a larger collaborative enterprise on the campus to the state. ANR has not considered funding internal grants but responds to scientists reaching out and would provide funding support to a scientist who works and collaborates with ANR on emerging and/or priority issues.

Senate Leadership Briefings

The Academic Council Chair and Vice Chair attended a portion of each UCPB meeting to brief the committee on business from Academic Council and Board of Regents meetings, and other systemwide issues of interest to UCPB or of general interest to faculty, including: transfer issues and a singular transfer pathway, faculty salary increase timing and scope, labor agreements and guidance to faculty responding to increased labor costs and reporting requirements, and issues surrounding online education.

SELF-SUPPORTING GRADUATE PROFESSIONAL DEGREE PROGRAMS (SSGPDPs)

Review of Individual SSGPDPs: Per the Compendium, CCGA leads the main systemwide review of proposed SSGPDPs, while UCPB provides financial analysis to CCGA after assigning a lead reviewer to assess the business plan and market analysis. UCPB reviewed eight SSGPDPs, one college proposal, and two proposals for new schools this academic year.

- UCB Master of Computational Social Sciences – approved
- UCB Master of Advanced Study in Engineering – approved
- UCB Master of Climate Solutions – approved
- UCB Master of Biotechnology – approved
- UC Davis Master of Management – approved
- UC Davis Master of Engineering in Medical Device Development – approved
- UC Los Angeles Master of Legal Studies – approved
- UC Los Angeles Master of Data Science in Health – approved
- UCB College of Computing, Data Science, and Society – conditionally approved
- UC Irvine School of Population and Public Health Pre-Proposal – approved
- UC San Diego School of Computing, Information and Data Sciences Pre-Proposal - approved

Nearly all UCPB members served as lead reviewer for an SSGPDP. Reviews addressed the financial viability of the SSGPDP; the proposed indirect cost (IDC) rate and its determination; the planned use of net revenues; and the disposition and compensation of faculty serving the program. Reviewers also considered factors that could prevent the program from achieving UC quality; the extent to which SSGPDPs could divert resources – including space, services, and faculty effort – away from state-supported programs; their financial aid plan, and other factors that could affect accessibility to diverse and underserved student populations. Concerns were raised about the effect of proposed schools or colleges on existing ones on campus. Reviewers noted positive elements such as strong academic and market justifications, or well-documented academic, business, and facilities usage plans. UCPB continues to be concerned about the assessment of financial performance of SSGPDPs, and effects of rapidly-proliferating SSGPDPs on the reputation of the University.

Reports and Recommendations

UCPB Hiring Report

In October, Academic Council endorsed UCPB's September, 2022 Hiring Report and sent it to President Drake. The report found that faculty hiring has not kept pace with student enrollment growth; there has been a large increase in academics and clinicians with "medical titles;" and professional staff has increased at a greater rate than enrollment and almost twice the rate of

faculty; senior administration has increased far faster than any other staff category. In May, UCPB asked Council to forward the report to Provost Newman along with a letter noting that faculty hiring increases would not be on pace with planned student growth. UCPB plans to refine the report by extracting student- and faculty-facing staff numbers from other staff positions.

To the Academic Council:

- Comments noting concerns with proposed amendments to the Presidential Policy on Abusive Conduct in the Workplace (October 13, 2022)
- Comments noting concerns with proposed amendments to Academic Personnel Manual sections 025 and 671 (October 17, 2022)
- Comments in support of proposed amendments to Senate Regulation 630 (November 2, 2022)

UC Health Work Group: Professor Marc Steurer led the working group made up of Professors Brewer, Hollenbach, Leuchter, Ramamoorthy, and Rose. Vice Chair Steurer reported that the workgroup gathered information from each of the five health sciences campuses with attached medical centers regarding faculty input on governance related to financial decisions, budget decisions, strategic calls, and UC Health. Discussion of the business of medical centers on campus should take place in campus CPBs. This represents a large shift in those committees' work. A draft report was provided to UCPB in April.

Best Practices: All members of UCPB were asked to provide summaries of the involvement of their division budget and planning committees with the budgeting of academic units. Professor Brewer led the effort to write the final report. Best practices for CPBs including eliminating duties the committees should not assume going forward but focus on items with the largest impact on campus budgets, such as faculty hiring, budgeting for growth, strategic directions and the budget process; beginning budget reviews much earlier and allowing for iterative feedback; increasing communication out to wider faculty from budget committees including drawing attention to publicly available budget information.

Consultation with TFIR Chair: UCFW Task Force on Investments and Retirement (TFIR) Chair Brownstone briefed UCPB at each meeting on a variety of investment and retirement topics, including concerns among the Regents about investment returns and pressure to increase employee pension contributions, efforts to change the default retirement plan for new hires to Savings Choice, the deployment of the Pension Choice and Savings Choice retirement plans modeling tool for new hires, new student loan repayment matching option for employers, efforts to address issues with service from the Retirement Administration Service Center (RASC), a total remuneration study, and efforts to have a comprehensive benefits survey of employees and retirees performed.

Campus Reports: UCPB set aside a portion of each meeting for updates from members about issues under discussion on campuses and local budget and planning committees. These briefings touched on a wide range of topics, including ongoing negative outcomes from the Oracle software transitions on a number of campuses, budget shortfalls and cost-cutting measures, acute housing shortages for graduate students and faculty, efforts to increase CPB input into campus budget and hiring decisions, impacts of the graduate student strike and labor agreement, and campus expansion plans.

UCPB REPRESENTATION

Chair Donald Senear represented UCPB at meetings of the Academic Council, the Assembly of the Academic Senate, the Senate / UCOP leadership monthly budget meeting, the Health Care Task Force, and the APC Workgroup on the Future of UC Doctoral Programs, for which he chaired the Cost and Budgeting subgroup. Kevin Mitchell reviewed the UC MEXUS as UCPB liaison to the Multicampus Research Units and served as UCPB representative to the Academic

Council Special Committee on Lab Issues (ASCOLI), Heather Rose served as UCPB representative to the Education Abroad Program.

ACKNOWLEDGEMENTS

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Respectfully submitted:

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