UNIVERSITY OF CALIFORNIA ACADEMIC SENATE
UNIVERSITY COMMITTEE ON PLANNING AND BUDGET (UCPB)

Minutes of Meeting
November 7, 2023

Present: Don Senear, Chair, Tim Groeling, Vice Chair, Amani Allen (Berkeley), Robert Brosnan (Davis), Georges van den Abbeele (Irvine), Michael Emmerich (Los Angeles), Kevin Mitchell (Merced), Terry Gaasterland (San Diego), Jill Hollenbach (San Francisco, Chair, TFIR), Juliann Emmons Allison (Riverside), Reza Abbaschian (alternate, Riverside), Daniele Venturi (alternate, Santa Cruz), Alison Brysk (alternate Santa Barbara), Jun Jang (undergraduate student representative), Steven W. Cheung (Vice Chair Academic Council), Nathan Brostrom (Executive Vice President), Cain Diaz (Interim Associate Vice President, Budget Analysis & Planning), Stefani Leto (Analyst)

I. Consent Calendar

UCPB approved the agenda, and the October 3 minutes.

II. Chair's Announcements

Chair Senear noted that in-person meetings will facilitate face-to-face interactions with OP consultants and guests. Dr. Rubin, head of UC Health, will meet with the committee in December.

UCPB will send the Best Practices report with a cover letter to Chair Steintrager requesting that he distribute it to division chairs. Members noted that their campus committees discussed operationalizing the recommendations. The committee agreed to have follow-up check-in conversations about the implementation of recommendations. Division committees might need to meet more frequently or during the summer to keep abreast of budget issues.

III. Review Proposed Revision to APM 672

Chair Senear recounted the history of Negotiated Salary Program. There was interest in salary enhancement using non-state sources of funds. Two task forces examined this program, and they implemented it as a pilot at three campuses. Some concerns (that grant funds would be repurposed leading to lower graduate student support) did not come to pass, although equity issues advantaging grant-based fields has happened. The fourth-year review of the program determined that there was a lack of data, making the program difficult to evaluate. Some concerns have not come to pass, partially because OP has pursued advances in faculty salaries instead of using the program to escape that responsibility. The program was expanded to more campuses during the trial phase, and the proposal is to institutionalize it.

- One commenter noted that the stringent requirements of the program limit participation. Some grants allow rebudgeting.
- There was lively discussion about the program requiring faculty participants be in good standing and some concern about the vagueness of how that would be operationalized, or the possibility of negotiating a way out of a violation of faculty code of conduct charge. Faculty could negotiate a period during which they are ineligible for the program but then re-establish eligibility.
- Members expressed concerns about lack of clarity in some of the regulation's language such as provisions that participation in the program not negatively impact the participants' work as professors.

Chair Senear proposed that a draft response letter be circulated for UCPB input.

IV. Senate Leadership Consultation

Vice Chair Steven Cheung updated UCPB on the President's and Regent's Chair Leib's statement on the war in Gaza. There have been ongoing requests for changes to statements from both sides. The tension between free speech and hate speech is difficult to negotiate. Chair Steintrager will make a statement on behalf of the Academic Council.

The President would like the Senate to repeal or amend SR 630 but he has been told that doing so could lead to students completing degree requirements all online, which would put accreditation and student financial aid in jeopardy. While the Senate has hopes that the Regents will accept the Senate's response, there is a threat that the Regents will decide to overturn SR 630 on the basis that it oversteps the Senate's delegated authority. The broad authority designated to the Senate to determine degrees and curriculum does not appear to be in danger of repeal.

The President has proposed a 4.2 percent increase in faculty salaries (on scale) in his budget proposal to the Regents. There is pressure from some Regents to increase employee retirement contribution to 50 percent of normal cost, but the President and CFO are holding firm against that. Health care costs have increased greatly this year. In response, the CFO and human resources have committed additional resources to attempt to mitigate increases in employee costs. However, a 0.5% increase in employer contribution to the pension I planned for each of the next 8 years. PIs will shoulder these increases as well as increased labor costs for graduate students.

Chair Steintrager is representing the Senate in two ongoing Chancellor searches, in both Los Angeles and Berkeley.

The Provost's congress on the future of graduate education has led to more discussion about the future form of UC doctoral education. The task force will continue to meet for the rest of the year.

- A member asked about the Regents interest in online degrees. Regents reportedly are interested in fully online degrees for a variety of reasons: to increase access and student numbers without associated capital outlays; to generate additional revenue to the university; to support the Governor's goal that 70 percent of Californians will have college degrees; to help those who are a few courses short to complete their degree; the Provost's interest in future thinking and participating in what seems to be the education direction of the future.
- UCPB noted that the reason there is demand for an online UC degree is UC's brand quality. If fully online degrees devolve into selling degrees, we will degrade the brand. Citing MIT as an example –courses are open and can lead to certificates but degrees require in person attendance.
- Concerns were expressed about increases in pension contribution from the employer side affecting PIs – a double cost, given the increase in graduate student salaries.

V. Task Force on Investment and Retirement Update

Chair Hollenbach updated UCPB on TFIR's discussions. Some Regents would like to make changes to employee contributions to the pension fund. The baseline approach to pension contributions agreed to in 2021 would increase the 14 percent employer contribution by one percent annually to 17 percent. Unanticipated investment gains led the Regents to hold contributions steady for two years and borrow from STIP. Some Regents want a greater share (half) of the normal cost to be borne by employees, despite only a modest effect on retiring the unfunded liability.

TFIR evaluated pension scenarios ranging from no change to a one percent increase in employee contribution and asked for models of different scenarios. OP appears to be firmly against increases in employee contributions, and in anticipation of a planned total remuneration study, changing employee contributions before the outcome of the study is known would be ill-timed. Some additional STIP borrowing will likely be proposed, thus diminishing the unfunded liability. Repayment of STIP loans will be based on assessing payroll, probably by rolling into the composite benefits rate. This will impact PIs with academic employees.

The large increase in health benefit cost to both employee and employer will be an additional burden on faculty employing staff in their research labs.

A total remuneration study was last conducted in 2014 for faculty only, and for faculty and staff in 2009, to assess what overall compensation is with all factors are taken into account. Faculty have referred to the "Comp-8," four public and four private institutions, for comparison. The study has been requested for years, and a request for proposals is underway. Despite Senate request to be involved an RFP development appears to be underway without Senate consultation. Comments on the RFP are being solicited from stakeholder groups. TFIR wants only the Comp-8 to be used to compare faculty remuneration, rather than the entire AAU or other ideas included in the draft RFP. Communication about the status of the RFP has not been entirely clear. One concern is how clinical faculty salaries will be counted and what comparisons will be made. The Senate is concerned that its input will be too late in the RFP process for substantial involvement.

Three additional RFP's are envisioned: one for an overall benefits survey of faculty and staff that would ask about debt loads, among other issues; a second for a survey on faculty and staff engagement; and a third for an exit survey.

VI. Budget Allocation Model and 2023-24 State Funds Allocation

Interim Associate Vice President, Budget Analysis & Planning Cain Diaz provided an overview and primer of the budget allocation model. Some state funding goes to non-core systemwide obligations such as debt service for general obligation bonds and capital programs. The majority is allocated to "core operations." Funds are allocated as fixed "earmarks" for pre-determined purposes, such as the agricultural experiment stations, the Scripps Institute, the Neuropsychiatric Institutes, and others. Some of the earmarks are subject to cost adjustments, increasing in proportion to the state allocation; others are fixed. The portion of the budget allocated to campuses includes what is called corridor funding for UC Merced and UCSF. The majority is allocated according to weighted student enrollment Historical weights for students have been modified in the current budget proposal.

Most undergraduates are assigned a weight of one; but undergraduates coming from high schools designated LCFF+ by the state have a weight of 1.5 to address higher costs borne by campuses to support students coming from under-resourced high schools. Academic Master's students are also weighted one. Academic Doctoral students are 2.5; professional graduate students one. Health sciences students are one for undergraduate students, 2.5 for all graduate academic students, and medical students (including veterinary students) have a weight of five.

About two years ago, planned enrollment were "trued up" so that actual student numbers were used for campus allocations. Student funding should continue on an actual enrollment basis, and campuses and the budget office will occasionally examine if planned and actual enrollment remain the same.

- A member asked if the university was considering adding a weight for disabled students to address higher costs, especially as disabled students often do not take "full time" units and therefore contribute less to the FTE for the campus than a student taking full time units; there is great variation in definition of disabled by campus. In addition, it is unlikely that this kind of funding increase would not also apply to the CSUs, and they enroll many more disabled students than the UC does. It might incentivize the legislature to cut the UC budget and add more to the CSUs. A disability work group plans to bring a final report to the Regents.
- Is LCFF+ weighting to incentivize admission from these high schools? Higher costs for those students use the funding, so it is not a positive financially for the campuses and the budget office does not anticipate campuses admitting more of them to increase funding. Graduation rates are going to be key for these students in terms of figuring out if they are succeeding.
- A UCPB member wondered whether some campuses could cherry pick the best prepared students from LCFF+ high schools, resulting in other campuses bearing higher costs from taking students who were not as prepared.

VII. Budget Consultation with UCOP

CFO Brostrom began with an update about the pension. Some Regents would like to see an increase in employee contributions. The budget that will be presented to the Regents requests a gradual increase in employer contribution to UCRP over an eight-year period, paired with additional borrowing from STIP. The President's budget proposal does not request an increase in employee contributions, noting the effects of higher inflation and increased health care costs on take-home pay. The budget proposal would result in a funding ratio of 95 percent in 25 years.

The CFO's office has been creating financial models for a medical center at UC Riverside, partnering with an existing hospital. Such an approach would increase opportunities for medical student training at lower cost than building a new hospital. The 2030 deadline for seismic upgrades to hospitals is pushing many to consider selling. Riverside currently has an earmark for medical school funding; Merced does not, but does not plan clinical training at the campus.

Campus operating budgets do not universally account for investment earnings in their statements. CFO Brostrom believes that their deficits would seem less dire should they do this. However, campuses should rely on average annualized returns to mitigate the volatility of realized year to year returns. As well, he believes that campuses should retain their increases for core functions.

University revenues are doing well but costs have exploded – the total additional contractual obligation for employees is $60M for UAW-represented graduate student employees alone. The budget office has separated represented staff and represented academics in its budget plan submitted to the Regents. Most of the increase in core budget for represented academics is for TAs; GSRs are paid through non-state funds. However, there are current and future shortfalls in grant money to pay for GSRs, creating an ongoing obligation to the campuses that will increase the deficits experienced by most.

VIII. Self-Supported Degree Proposal Review

Professor Mitchell presented a review of the proposed Master of Real Estate Development at UCLA. There are few real estate investment education opportunities in universities. The proposal appears to be concentrating on urban development and claims that graduates will be well-positioned to work in the urban renewal field. Tuition is $85000 and enrollment is projected to be 40 at steady-state, increasing from an initial cohort of 25. The program is assessed to be financially sound and likely to be self-supporting in three years, as demand appears high. There was some concern whether the modest campus tax, but standard for UCLA, is sufficient to cover all costs and whether the funds allocated to remodeling would enhance general assignment classrooms (or just office space). Otherwise, no negative impacts were identified. At least 30 percent of the classes would be taught by senate faculty, with the balance taught by practitioners, guests, and adjuncts. The proposal cites the already diverse UCLA student body and faculty as evidence that they will recruit diverse cohorts. Ten percent of revenue will be returned to aid.

- Discussion noted some concerns with the relatively high tuition when matched to the claims that graduates will not seek out high-paying real estate development careers but will work to improve cities.
- Members suggested a review in three years to follow up on the diversity of the student body.

Action: UCPB will write a letter to CCGA endorsing the proposal.

IX. Assign Self-Supported Degree Proposals for Review

UCSD Master of Advanced Studies in Physician Assistant Studies will be assigned after the meeting.

UCSF MS AI Drug Development – Professor Robert Brosnan will review

X. Campus Reports

Chair Senear asked members to report back from their divisions what if any plans exist to support faculty through supplements to pay grant shortfalls for GSRs. In addition, they were asked to note major issues and committee plans for the year and how campuses are dealing with increased costs due to the graduate student labor agreement.

There is a pilot program to review staffing increases for two administrative areas, DEI and development/alumni relations. Facilities reviews have revealed that high costs have led to $100m in delayed maintenance. There is some concern that the campus is being charged excessively compared to non-UC construction in the area. The campus is comparing costs to CS Sacramento to determine any differences and adopt any practices used there to contain costs. The Provost launched a START program – sustaining teaching and research. The program aims to address faculty workload, facilities, and campus support services.

UC Berkeley – Expenses have outpaced revenue. Different picture from 10 years ago. For past 5 years, operating expenses have been far greater than our income. The EVCP has several initiatives: the financial sustainability initiative begun last summer has four goals: a major goal is to create a new budget model that improves predictability, transparency and simplicity; preserve the quality of programs and services; allow for adequate resources at the center to pay for new programs and initiatives; and to develop implementation plans for new budget model. CAPRA is actively involved in this effort advising the process, but delays in receiving information diminish the utility of their input. Library funding remains below needs. The budget committee continues to pay attention to fallout from graduate student contracts in a monitoring role.

UC Davis – More than 50 percent increases in insurance payment costs while some faculty believe that individual plans have not gone up enough to support the increase passed on to users.

> Side note offered to explain increase: Average premium increase for health care is almost 18 percent this year, with 3 factors contributing – high general inflation; unit cost increasing above inflation; greatly increased usage compared to the previous year. The latter is hoped to be a one-time post-Covid urge. Usual UC policy is to increase its contribution by 4% per year; this year UC

went above 4%, contributing $84M, a 7.6% increase, to ease the increased burden on employees. With a 17.6% average premium increase of which OP absorbs 7.6%, the increase to employees is substantial. Retiree healthcare premium only went up 10-11% (but Medicare is paying more). UC used to pay the entire cost of the lowest price (core plan) plan.

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UC Irvine – The Provost announced a new budget model without saying what it is. Irvine is very center-heavy. No appropriate staff review process for raises, so they have to move jobs around campus, which leads to the constant vacancies and churn.

UCLA – the new budget model went through with CPB having a lot of involvement, including establishing metrics to measure. Implementation (soft one) the implementation working group changed the model.

UC Riverside appeared to have a lot of input into the budget model at first, but revisions have not had as much transparency. The climate change money issue turned out to be what the Chancellor decided. The decision to use natural gas for buildings – the building in question wasn't brought to CPB. Trying to make an orderly way for issues to come for faculty consultation and increase transparency. Grad student funding. Trying to find a systematic way of funding. Not having massive staff hiring – way understaffed and having constriction of programs. Departments were "reclustered" to share staff. Can't get access to grant funds.

At **UCSD** concern is growing about how Core Facilities (e.g., genomics sequencing, flow cytometry, microscopy) are funded. UCSD is stipulating that they can no longer be subsidized by host departments. This was a way of channeling Indirect dollars toward CF support. So the Directors of Cores are looking ahead at major cost increases to users which will tap into grant direct cost dollars, and the likelihood that users will not be able to afford the costs.

New Business

There was no new business.

Prepared by Stefani Leto, Analyst
Attest, Donald Senear, Chair
The meeting ended at 4:01