UNIVERSITY OF CALIFORNIA ACADEMIC SENATE

University Committee on Planning and Budget (UCPB)

Minutes of Meeting

February 4, 2014

I. Consent Calendar

- January 7, 2014 draft meeting minutes

Action: UCPB approved the January 2014 meeting minutes.

II. Consultation with UCOP – Budget Office

- *Patrick Lenz, Vice President for Budget and Capital Resources*
- *Debora Obley, Associate Vice President, Operating Budget & Facilities Management*
- *Clifton Bowen, Director, Operating Budget*

State Budget: The state Senate and Assembly budget committees are reviewing the Governor's proposed 2014-15 budget and his plan to use a $4.7 billion surplus to address the state's long-term liabilities and build an emergency budget reserve. The Legislature would prefer to use a larger proportion of the surplus to reinvest in education and social services. The Assembly Speaker's own priorities include funding freshman and transfer enrollment growth at UC and CSU.

The Governor's budget requires UC to present a three-year balanced budget plan that sustains the university's needs without tuition increases. UC budget officials have a two-part budget strategy in Sacramento. First, they are seeking an additional, ongoing state budget allocation above the 5% increase promised by the Governor, to support mandatory costs, enrollment growth, and quality-related reinvestments. Second, they are asking the state to provide UC with a one-time block grant from the surplus to help the university address specific priorities.

Budget officials are also emphasizing that the university has been committed to enrolling unfunded students in the past, but that UC now enrolls about 7,500 unfunded students and will be unable to take additional students without new funding. They note that the Governor's plan to fund 3% enrollment growth at the community colleges will affect the UC transfer pipeline, and are therefore recommending that the state provide a three-year ramp-up in enrollment funding to help UC reduce unfunded FTE and position the university to take more transfers.

Enrollment Planning: UCOP is working on a systemwide long-range enrollment plan that is aligned with campus plans and aspirations, state funding, a clearer definition of UC's obligation to the Master Plan, and more accurate long-term projections for CA high school graduate growth. UC expects to have an enrollment plan in place by fall 2014 that can form the basis of resource distribution beginning in 2015-16. There are also several open questions about enrollment in the context of rebenching that must be addressed before the plan can be finalized.

Capital Projects. UC budget officials intend to move forward with both sets of capital projects proposed for funding in 2013-14 and 2014-15 under the new capital outlay process. This includes additional projects at UCB and UCSD. The former is ready for financing and will be presented to the Regents fro approval in March. The latter is in the preliminary planning stage and will remain so for 2014-2015. Budget officials expect to remain conservative in their approach and are unlikely to propose new projects for 2015-16.

III. Consultation with UCOP – Cost of Instruction Modeling

- *Pamela Brown, Vice President for Institutional Research and Academic Planning*
- *Todd Greenspan, Director of Academic Planning*
- *Debora Obley, Associate Vice President, Operating Budget & Facilities Management*

A new state law requires UC to produce a bi-annual study on the cost of instruction at the university. The first reporting cycle, due in October 2014, asks for a systemwide report disaggregating costs related to undergraduate education, graduate academic education, graduate professional education, and research activities; by general campus compared to health sciences campus; and STEM compared to non-STEM majors. The second cycle, due in 2016, requires campus-by-campus reporting. A working group of UCOP and campus Institutional Research staff is considering several preliminary models. It hopes to arrive at a methodology that can build on published campus financial data, account for the teaching, research, and public service missions of the faculty, and describe as accurately as possible the amount UC needs to deliver a quality education to a variety of student types. The working group will also be reviewing data from CSU and UC's national peers and considering the extent to which research expenditures should be incorporated into cost of education for each kind of student.

Discussion: It was noted that cost of instruction is complicated and that it will be difficult, if not impossible, to accurately disaggregate costs associated with different student types or to separate out the research mission that is intertwined with all aspects of instruction and education. The only realistic goal can be to achieve a plausible accounting of cost. Members noted that UC will need a rational argument for how the final model weighs each student type. They also suggested that it would be useful to employ the model to track costs backward and forward in time. It was also noted that UC, as a public Research I university, is more expensive than CSU for a reason, and that the state benefits financially from faculty research activity and grants.

IV. Consultation with UCOP – Captive Insurance

- *Peter Taylor, Chief Financial Officer*
- *Cheryl Lloyd, Interim Chief Risk Officer*
- *Sherry Ricker, Captive Insurance Specialist*

The UC Office of Risk Services manages a suite of risk financing programs designed to minimize the university's insurance costs and impacts. These activities include managing insurance claims in the areas of worker's compensation, professional liability, property, and employment practices; purchasing systemwide insurance; developing new loss control programs to reduce claims costs, and running self-insurance programs like UC Care.

An assortment of insurance syndicates based around the world cover a portion of UC's risk in each liability area. Some risks, like worker's compensation, are easily insurable; but others, such as campus protests, are more difficult to insure. Most of the Regents' self-insurance programs retain up to a $5 million deductable per incident and excess insurance covers the remainder.

"Fiat Lux" is UC's captive insurance organization, an alternative risk vehicle that helps UC reduce insurance costs. It was formed in 2012 and is licensed though the Washington D.C. Dept of Banking & Insurance. The captive allows UC to access re-insurance markets, buy excess insurance for each of its insurance trusts, and increase its capacity to transfer risk between different areas. Domiciling Fiat Lux in Washington, D.C. gives access to lower cost insurance coverage from the government for acts of terrorism, and UC has moved or will move all of its terrorism and casualty insurance programs into Fiat Lux. The captive is now self-sufficient. It will eventually allow UC to shrink the overall size of its loss reserves and is expected to reduce premium costs. UC Care is not part of the captive currently. UCOP will be monitoring UC Care's claim utilization before considering it for the captive.

V. Consultation with Academic Senate Chair

- *Bill Jacob, Academic Senate Chair*
- *Mary Gilly, Academic Senate Vice Chair*

At the January Regents meeting, Provost Dorr reported on UC's online education efforts, including the courses faculty are developing through the Innovative Learning Technology Initiative, and the development of a pilot system to facilitate cross-campus enrollment in online courses. President Napolitano and the heads of the CSU and CCC systems also made a joint presentation to the Regents about the need to strengthen the Master Plan for Higher Education.

At the January Academic Council meeting, Council members expressed concerns about the soundness of the current plan to ramp-up funding for UCRP. Members also aired broad concerns from their divisions and committees about the revised Self-Supporting Graduate and Professional Degree Program Policy (SSGPDP). The Academic Council is holding a February 5 conference call to continue the discussion about SSGPDPs and to discuss UCPB's memo on the new capital outlay program.

The Senate chair postponed a scheduled conference call about composite benefit rates because the administration was not prepared to present information the Senate had requested about the financial impact of individual campus CBR models. The Senate had requested specific information about the modeling done for each campus for each of the proposed, including the benefits covered, the employee groups covered and the number of employees in each group, the combined benefit expense for each group, and other data.

VI. Financial Aid and Tuition Policy

- *David Alcocer, Interim Director, Student Financial Support*
- *Debora Obley, Associate Vice President, Operating Budget & Facilities Management*

Issue: UCPB requested a tutorial on the financial aid system to help members better understand the link between tuition policy and UC's Education Finance Model (EFM).

UC's financial aid system is closely aligned with UC's broad institutional goal of ensuring financial access for all admitted students regardless of family income. Tuition represents less than half of the total cost of UC attendance, which was estimated to be $30,000 in 2012-13. The EFM is a formula that establishes expectations for meeting the full cost of UC attendance in a partnership between students, parents, government aid programs, and UC, based on parents' ability to pay and a manageable level of student part-time work and borrowing (self-help).

UC uses information collected on the Free Application for Federal Student Aid (FAFSA) to establish the expected parental contribution, which increases with income level. It bases the self-help expectation on 6-20 hours of part time work per week with a midpoint goal of 13 hours per week, and a loan repayment schedule that does not exceed between 5% and 9% of post-graduation income over a ten-year period. After these expectations are established, and Pell Grants and Cal Grants are applied, UC fills in the remaining need gap with aid from UC Grants. Research shows that more than 18-20 hours of part time work per week can hurt students academically, and that 40%-50% of UC students do not work for pay during the academic year.

Tuition increases help lower-income students manage costs, in that UC places 33% of revenue from any tuition increase into a systemwide return-to-aid pool, and awards UC Grants to needy students from that pool. The return-to-aid pool is generated from new tuition revenue only, which translates to 29-30% of the total tuition base available for financial aid.

UC's Blue and Gold Opportunity Plan ensures that students from families making less than $80,000 pay no fees. In addition, the state's new Middle Class Scholarship (MCS) program will provide additional aid to students with family income up to $150,000; however, the MCS is an affordability program, not an access program, because families can qualify for the MCS on the basis of reported income alone, without attention to the FAFSA federal needs analysis.

Projections suggest that the funding available for grants from return-to-aid will become inadequate to meet the EFM's requirements. To address the problem, UC is considering options that involve moving away from a strict 33% return-to-aid target and adjusting other expectations in ways that meet the fundamental goals of the EFM. UC also wants to refine the methodology for determining the parental contribution by developing an alternative needs analysis formula that provides a more accurate view of parental resources than the federal formula. There is also a desire to more explicitly define expectations for nonresident access and affordability; UC has no affordability model for nonresidents, who tend to come from a more affluent demographic.

President Napolitano has called for a more rational and predictable tuition policy and is interested in the effect of cohort-based tuition pricing, which would guarantee a certain tuition level or schedule over four years, as well as differential pricing by student level. UCOP will be modeling a variety of scenarios and their implications in the form of white papers that ultimately will be presented to the President as a recommendation.

Discussion: It is a challenge to communicate to the public the fact that increases in tuition are actually beneficial to lower income students. On the other hand, it is difficult to defend annual tuition increases that exceed 1%-2% inflation even if UC needs much more significant increases to help it address its mandatory cost obligations and to maintain quality.

VII. Professional Degree Supplemental Tuition Policy

UCPB reviewed a revised policy for the proposal and approval of PDSTs and changes to PDST levels (Regents Policy 3103), along with a separate set of Presidential Implementation Protocols. The new policy also incorporates a set of principles for PDSTs currently in Regents Policy 3104.

The main discussion concerned the definition of graduate degree programs that are eligible to charge PDST in section VIII (policy clause 7) of the Presidential Implementation Protocols. UCPB supported the apparent effort to limit the range of programs that might be considered a professional degree program. However, members were concerned that the proposed definition's focus on licensure and certification may be too narrow, given that there are existing professional degree programs where that definition is inappropriate. They felt the definition should be reconsidered and revised. One goal should be to account for the traditional understanding of a professional degree program so that existing programs that are not focused on licensure, for example, are included. At the same time, the definition should also allow the possibility that academic programs focused on theory or research, in addition to training an individual for a particular job or career, could be included under rare circumstances. An example of such a program might be a focused MS degree within an engineering department.

Members also echoed some of the concerns the committee expressed in its letter on the proposed revised self-supporting graduate professional degree policy, noting that there is little or nothing in the PDST policy about academic quality or outcomes; that the university should not incentivize the conversion of existing academic graduate programs to graduate professional degree programs; and that a public university should not necessarily follow the market but offer a lower cost option than a private university for a similar program. Finally members agreed that UCPB should reaffirm the importance of access and financial support to ensure affordability to diverse groups, in addition to academic excellence.

Action: A draft memo will be circulated to UCPB for review and comment.

Meeting adjourned at 3:30 p.m.
Minutes prepared by Michael LaBriola
Attest: Don Senear