

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
June 5, 2012

I. **Announcements – *Jim Chalfant, UCPB Chair, Robert Anderson, Senate Chair, Robert Powell, Senate Vice Chair***

In May, the Academic Council discussed a proposed State constitutional amendment (SCA 22) that would limit non-resident enrollment to 10% at each UC campus. President Yudof and the Academic Council both strongly oppose the amendment and have noted that depriving UC of non-resident tuition revenue would further impair the University's ability to enroll and educate residents. Several Council members also noted that implementing the rebenching project will help UC respond to SCA22 by demonstrating that UC has a clear enrollment management plan that ensures space for all funded California residents. Following the meeting, Council issued a set of [recommendations](#) for rebenching, which urge a public announcement of the project and the resolution of several pending issues, including the treatment of "off the top" items, and the appropriate incentives for campuses to meet their resident undergraduate enrollment targets.

Council met with Regent Fred Ruiz, who shared his commitment to diversity and his desire to increase faculty diversity. Council members spoke in support of the [President's Postdoctoral Fellowship Program](#), which had its budget cut this year.

The Provost reported during the monthly Senate-administration budget teleconference that UCOP has been asked by the Regents to model a variety of recommendations from the Commission on the future, including the budgetary impact of removing one or more UC campuses from State funding. In addition, some Regents are interested in what savings, if any, could be achieved through combining or consolidating academic programs that are duplicated across campuses.

The UCLA Graduate Council has voted against the proposed conversion of the UCLA Anderson School of Management's "daytime" MBA program to self-supporting status. UCLA's legislative assembly meets Thursday to consider overruling those decisions. The treatment of Anderson MBA students in the rebenching framework has also become an issue.

In mid-June, UCOP will begin rolling-out a marketing campaign intended to promote a positive message about UC to the general public. Vice Chair Powell said he supports the effort, but is also concerned that its cost may raise concerns, even though UC is not using tuition dollars or state funds to support the campaign.

Discussion: UCPB members agreed that increasing the transparency of the UC budget will help dispel myths about per student state funding. One member noted that it is conceivable the state may respond to the "privatization" of a UC campus with additional cuts, and may even see the privatization of individual UC programs as an opportunity to cut UC's budget.

II. Indirect Cost Recovery – With Patrick Schlesinger, UCB Assistant Vice Chancellor, Research Administration and Compliance

The Indirect Cost Waiver Policies and Practices Workgroup has invited UCPB to comment on its draft recommendations concerning the University's policies and practices around indirect cost (IDC) recovery. Patrick Schlesinger co-chairs the Workgroup, which is part of UCOP's Working Smarter initiative, and was formed to examine policies and practices that may hinder UC's ability to recover the full cost of research.

The workgroup has identified the use of indirect cost waivers on research projects as a major impediment to full IDC recovery. Some waivers are based on the policy of the sponsoring agency, and in some cases UCOP has established class waivers. Campuses also have established vital-interest waivers for unique projects that are important to the campus. The workgroup is recommending the complete delegation of authority to campuses for waivers, and the replacement of the systemwide "class waiver" system (which has grown to encompass 1,800 waivers) with a smaller Verified Sponsor Policy list for use at campus discretion. Other recommendations include analyzing how waivers are applied across the system to help campuses identify best practices; issuing a strong policy statement articulating the principle that sponsors should pay the full cost of research; establishing minimum systemwide rates for certain types of research and sponsors that are in line with rates charged by UC's peers; and encouraging campuses to direct charge IDC in cases where indirect charging is not allowed.

Discussion: One member noted that the cost of doing research varies according to the type of research, and it is not always clear that the campus is subsidizing a sponsor paying marginal cost only, as some IDC costs exist independently of the project. Moreover, a stricter anti-waiver policy could encourage campuses to reject projects at the margin that would benefit the university. Assistant Vice Chancellor Schlesinger emphasized that campuses would continue to have the freedom to grant vital interest waivers.

III. Consultation with UCOP – Health Sciences and Human Resources

- *John Stobo, Senior Vice President, Health Sciences and Services*
- *Cathryn Nation, Associate Vice President, Health Sciences and Services*
- *Dwaine Duckett, Vice President, Human Resources*
- *Gary Schliming, Director, Pension and Retirement Programs*

Senior Vice President Stobo: For several years, the UC medical centers have enjoyed double digit net patient revenue increases and only 6% annual cost increases without any increase to total caseload volume, due to an increasingly complex caseload mix, and higher insurance reimbursements. The University also has been able to negotiate competitive reimbursement rates with health insurance payers. Much of the profit margin has been directed to health sciences education and research. There are challenges ahead, however, which threaten the profitability of the enterprise, including the planned ramp-up to 18% of the employer UCRP contribution rate, potential cuts to Medicare and Medicaid, uncertainties related to federal health care reform, and a peaking market for medical reimbursements.

The UC medical centers are looking at new ways to increase efficiencies and generate more revenue in order to ensure their continued financial success and ability to provide excellent medical education and patient care. Ideas under consideration include increasing UC's market

share in highly specialized tertiary and quaternary care, compared to simpler “commodity” cases, and a UC “self-insurance” program option for UC employees and students.

Vice President Duckett: UC’s health care plans provide high value to UC employees, but the University needs to ensure that cost, competitiveness, and quality are in appropriate balance. The Healthcare Benefits Work Group is looking at options for changing the design of the health care plans to control rising costs and hopes to release its recommendations by July for implementation in 2013.

The family member verification project has led to the de-enrollment of approximately 2% of UC’s insured population (~3,000 individuals) who were on the insurance rolls inappropriately. The cost of administering the audit was \$800,000, but UC estimates that it will generate savings of between \$5 million and \$12 million. UC will now require the new level of verification at the time of enrollment.

Director Schlingens: On July 1, the employer contribution to UCRP will rise to 10% of pay, and the employee contribution will increase to 5% of pay. In July 2013, the employer will pay 12%, and the employee will pay 6.5%. UCOP is modeling the impact of a lower future employer contribution, in response to concerns from campuses and medical centers that the maximum ramp-up to 18.8% is unsustainable. Two projects have been undertaken as outcomes of the Post-Employment Benefits Task Force: 1) reviewing UC’s disability program in an effort to improve the program and provide this benefit at a more reasonable cost, with a focus of whether to modify the benefit in the new UCRP tier taking effect for new employees in July 2013, and 2) a draft study to explore the feasibility of offering a Defined Contribution Plan option for new policy-covered staff hires within UC Health.

Associate Director Nation: The Health Sciences Work Group of the Budget Rebenching Task Force agreed that the rebenching effort was designed to address inequities involving general campus per-student funding, but that no problem relating to the health sciences had been articulated. The subcommittee recommended that funding for the Neuropsychiatric Institutes (UCLA and UCSF); Mental Health Teaching Support (UCLA and UCSF); and MIND Institute at UCD should be excluded from rebenching formulas (i.e., that funding should be taken “off the top.”). The group also agreed that no funding should be provided specifically for Clinical Teaching Support, given that it has effectively been eliminated at a number of campuses as part of prior campus budget reductions. Although the subcommittee agreed that there was no evidence to support a single number (or “weighting”) for all UC health sciences students, it agreed that a relative weighting of 5, in contrast to 1 for undergraduates and 2.5 for Ph.D. students, did recognize the higher level of intensity and faculty resources associated with health sciences instruction. The subcommittee endorsed the principle of “consistency” in funding various categories of students, but also noted that it was unclear how this principle would align with the rebenching “exemption” for UCSF, given that a substantial number and proportion of all UC health sciences student enrollments are at UCSF.

She noted that there has been a steady and disproportionate decline in state support for health sciences education over the past five years, which has forced UC to shift costs to students through substantially increased Professional Degree Supplemental Tuition. As a result, UC is losing its competitive advantage in some areas of health sciences education.

Discussion: One UCPB member noted that UCSC faculty and staff were treated unfairly in the implementation of the new Blue and Gold HMO, which forced them to move into a much higher premium option, or switch to a cheaper option lacking an urgent care option. Vice President Duckett said that UC recognizes the problems facing Santa Cruz employees, and is working to make improvements.

One member noted that UC should consider primary health care and the education of primary care physicians as a central part of its public mission, and should endeavor to educate Californians from diverse backgrounds to fill the state's need for primary care physicians.

IV. Consultation with UCOP – Budget and Capital Resources

- *Patrick Lenz, Vice President for Budget and Capital Resources*
- *Debbie Obley, Associate Vice President, Budget and Capital Resources*
- *Nathan Brostrom, Executive Vice President, Business Operations*
- *Elisabeth Willoughby, Budget Coordinator*
- *Todd Greenspan, Interim Chief of Staff, Office of the Provost*

State Budget Update (Vice President Lenz): The Governor's May Budget Revision leaves UC funding largely intact at 2011-12 levels, but it also reduces a previously budgeted allocation to UCRP and proposes a \$250 trigger cut to UC if the November ballot measure fails. UC continues to advocate for increasing State funding and around major issues such as Cal Grants, UCRP, and debt restructuring.

The Legislature's budget subcommittee has rejected the Governor's proposal to increase the GPA requirement for Cal Grant eligibility, but UC is concerned about another proposal to reduce Cal Grant funding to the Federal Pell grant level.

The Legislature opposes the Governor's proposal to combine UC's general fund appropriation and GO bond debt service payments owed for UC capital projects into a single appropriation. UC views the proposal as an opportunity to mitigate budget cuts, address capital resource projects, and generate new revenue for UC. UC is also asking the State to fund construction of new UC Merced classrooms.

The Regents want to reach a tuition buy-out agreement with the Legislature to avoid a 6% tuition increase, and UCOP has indicated that failure of the November ballot measure could result in enrollment reductions and a double-digit tuition increase.

July Regents Meeting (Associate Vice President Obley): UCOP will summarize UC's efforts to solve the budget problem and the progress made to implement each of the COTF recommendations including a new Working Smarter savings estimate. The Regents will review options for adjusting cost drivers and revenues, including moving one or more campuses off of state support, consolidating academic programs, increasing tuition, reducing enrollment, and reducing employee compensation. She noted that some options would require years before they would produce significant savings. UCOP will also describe the impact of cuts on the academic program.

Discussion: One member noted concern about the impact of cuts, deferred maintenance, and unfilled faculty positions on the academic and research enterprise. The Regents need to hear

specific anecdotes about the damage campuses have incurred as a result of the cuts, even if it presents an ugly picture of declining quality. It's time to stop pretending that no harm has been done.

It was noted that closing or consolidating humanities programs will not save money, as humanities education is covered with net tuition, unlike more expensive science and engineering programs. If all UC campuses were to specialize in STEM disciplines, the budget gap would grow by millions. Moreover, faculty recruitment would be harmed if a campus could no longer claim to be a comprehensive research university.

Rebenching: Chair Chalfant said it is critical for UCOP to release the rebenching task force draft report for campus review. The draft can help address misinformation and convey a positive public message about UC's plan to equalize per student funding. He asked UCOP consultants for their views about how students in a state-supported program that converts to a self-supporting program would be counted for enrollment management and rebenching purposes, and to address claims that a campus can retain state funding for those students, as well as claims that campuses will have a single enrollment target they control. He said UCOP should be clear that it will have a central role in enrollment management.

Discussion: EVP Brostrom said Rebenching Task Force members have been asked to comment on the draft, and that UC will be discussing the recommendations with the Regents, and in a press release. He said UCOP will have a central role in enrollment management conversations. Associate VP Obley said UCOP does not have a definitive answer about how UC will count students in a program that converts to self-supporting status, but she does not believe that UCOP should penalize campuses that find new ways to free state funding. She said UCOP will determine a systemwide enrollment level through an iterative process involving numerous stakeholders, beginning after the vote on the November ballot initiative.

One UCPB member commented that the Senate supports campuses that find new ways of generating revenue, but the system needs UCOP to participate in enrollment management conversations and enforce the provisions of the rebenching model. It was noted that UC does not need to wait until after the November election to determine the actual number of unfunded students and the base year for budgeted enrollment. Another member opined that the rebenching model should not allow campuses to retain state funding for students that move to a self-supporting program.

AES/ANR: Budget Coordinator Willoughby said the preliminary data about ANR and AES in the rebenching spreadsheet were UCOP's best guess about funding, but as UCOP worked with campuses to verify and refine the data, they uncovered different numbers due in part to problems with how campuses were flagging ANR budgets. AVP Obley added that UCOP is preparing a report about how the AES budget has changed on campuses over ten years compared to the campus as a whole. Campus decisions over time helped determine the current base budget for AES/ANR. Those budgets are now off-the-top in rebenching models.

Discussion: One member noted that a discussion about whether \$95 million is the right amount to spend on AES should happen regardless of the outcome of UCOP's study. The amount is also relevant to the rebenching discussion due to the scale of the off the top. Another noted that AES money is focused on three UC campuses, but those campuses are not the only one where agricultural research occurs.

V. Draft Report of the Special Committee on Academic Graduate Student Support
○ *With Rachael Goodhue, CAGSS Chair (phone) and Robert Anderson*

The CAGSS report makes several recommendations for increasing the competitiveness of graduate student support, primarily by modifying systemwide policy around net stipends and Nonresident Supplemental Tuition (NRST). Recommendations include eliminating NRST for Ph.D. students, reducing the number of years international students must pay NRST, ending the practice of charging NRST to research grants, eliminating time limits on GSI and GSR employment, and allocating additional resources for net stipends for academic doctoral student support. CAGSS also says that ideally, UC would stop charging non-resident tuition to academic graduate students.

CAGSS believes the recommendations will have a positive impact on quality by increasing UC's ability to attract and retain the best graduate students in the world. Chair Goodhue said CAGSS is seeking comments on its draft report before sending it to the Academic Council. Chair Anderson added that he hopes to present the report at the July regents meeting alongside a report from a joint Senate-administration task force

Discussion: Members expressed support for CAGSS' recommendations. One member recommended emphasizing the key points in an executive summary.

VI. UC Irvine proposal to change the name of its Department of Education to a School of Education

UC Irvine says the quality of Irvine's Department of Education is comparable to that of the five schools of education in the UC system and other AAU universities with a School of Education. The School designation confers additional visibility and status that will help Irvine recruit faculty and students. The name change will not require additional resources. The department chair, who will become dean, is currently functioning as a dean, in many respects. CCGA has asked UCPB to comment on any possible budgetary implications resulting from the name change, including whether a School would be expected to absorb a larger proportion of a budget cut than a Department.

UCPB agreed that any budgetary implications (such as the dean's salary) would be entirely within the campus's prerogative, and that how a campus entity is cut does not depend in any formulaic manner on its name.

Action: UCPB will communicate its support for the name change to CCGA.

Meeting adjourned at 4:00 p.m.
Minutes prepared by Michael LaBriola
Attest: Jim Chalfant