

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
December 3, 2013

I. Consent Calendar

- November 5, 2013 draft meeting minutes

Action: UCPB approved the November minutes.

II. Announcements

- *Don Senear, UCPB Chair*

November Academic Council Meeting: The Academic Council discussed President Napolitano's [seven initiatives](#), labor union negotiations, faculty concerns about Composite Benefit Rates and UC Care, and the progress a Senate-Administration work group is making to respond to the Moreno Report's recommendations for addressing racial bias and discrimination affecting UC faculty. Council was also briefed on a draft report detailing how campuses have implemented the "[Robinson-Edley](#)" report recommendations on campus police options during campus protests, and the Innovative Learning Technology Initiative (ILTI)'s new [cross-campus enrollment website](#).

Graduate Education: Academic Senate Chair Jacob and Provost Dorr made a [joint presentation](#) to the Regents in November on the state of doctoral education at the university. The Provost wants to hold an all-university conference on graduate education in the spring, and has invited UCPB to appoint a representative to the conference planning committee.

Composite Benefit Rates: Chair Senear asked UCPB members to forward any analyses performed by individual campuses on the effect the latest Composite Benefit Rate options A, B, C, and D would have on the campus, and if possible, a narrative discussing any consensus views that have emerged on the planning and budget committee/campus about the viability of the options. It was noted that several campuses see only "option B" as viable, but that option B still presents too many ill effects on faculty grants to be supported. For example, it charges grants additional health benefits on the summer salary of employees whose 9-month salary already covers health benefits for a 12-month period.

III. Consultation with Academic Senate Leadership

- *Bill Jacob, Chair, Academic Senate*

Composite Benefit Rates: Chair Jacob has communicated the Senate's concerns about Composite Benefit Rates to the President's Chief of Staff and urged collaboration with the Senate in developing better options. The administration has noted that the UC Path software is limited in its ability to account for different employee types, which restricts possible options.

Moreno Report: The joint working group discussing the report will send the President preliminary findings by the end of December.

Presidential Initiatives: Several of the President's initiatives overlap with UCPB's charge, including those related to implementing a more rational and predictable tuition policy, optimizing technology transfer processes, and enhancing graduate student support. With regard to tuition policy, UCPB may want to consider the effect of a tuition freeze on the operating budget and Education Finance Model, cohort-based tuition pricing, the extent to which nonresident tuition supports resident enrollments, and the differing capacities campuses have to attract nonresidents and generate nonresident tuition.

IV. Consultation with UCOP – Office of Budget and Capital Resources

- *Patrick Lenz, Vice President for Budget and Capital Resources*
- *Debora Obley, Associate Vice President, Budget and Capital Resources*

State Budget Negotiations: The Legislative Analyst recently [issued](#) an encouraging state fiscal forecast that projects a \$5.6 billion budget surplus by the end of 2014-15—the result of an improving economy and Proposition 30 revenue. The Governor wants to use at least part of the surplus to establish a budget reserve and reduce the state's overall debt obligations. UC budget officials have been discussing UC's cost obligations and funding priorities with the Department of Finance, and are asking the state to use a portion of the surplus to support its obligation to UCRP on an equivalent basis with CalPERS. UC budget officials also note that in contrast to CSU, UC has enrolled unfunded freshmen and transfers throughout the budget crisis, but will no longer be able to do so without additional enrollment funding.

Capital Outlay Process: [AB 94](#) authorizes UC to use up to 15% of its state general fund allocation to fund debt service for state-eligible capital projects. UC has proposed \$87 million in projects for 2013-14, and \$202 million for 2014-15, most of which relate to infrastructure renewal and seismic safety. UC expects the state to approve the 2013-14 projects, and has set aside \$15 million for debt service in the 2014-15 budget. The program will allow UC to address a small portion of its total capital facilities needs, which it estimates to be \$1.2 billion over the next ten years. UC intends to use the program in an interim capacity until the state decides to return to the general obligation bond mechanism to help support UC's larger needs. UCOP is discussing whether to maintain a systemwide program or to allocate the money directly to campuses and allow them to decide how much to use for capital purposes. UCOP budget officials will be meeting with campus budget leaders this month to discuss the issue, and have invited faculty to contribute to the discussion. In addition, Vice President Lenz and General Counsel Robinson are co-presenting an item on seismic issues at the January Regents meeting. The Regents are likely to view seismic liabilities as a major priority.

Discussion: UCPB identified several areas that should guide the project:

- First, the capital program should be a limited, interim mechanism that addresses UC's most urgent capital needs until the state returns to capital funding. It should therefore be relatively conservative and limited in the impact it has on the operating budget.

- The program should continue to be managed at the systemwide level. A UCOP-based process will ensure that the funding actually supports capital projects and will be more likely to address the campuses' differing abilities to take on new debt, their different needs, and the unintended consequences of decisions made on one campus that may affect other, mostly smaller campuses. A campus-based process is inherently more likely to divert funding to non-capital priorities.
- The program should focus on quality-based renewal rather than new construction. UCPB's longstanding position as noted in the "Choices Report" is that capital renewal investments that preserve educational and research quality, and the development of UC Merced, should be the highest priority areas for the system. A campus-based process is also more likely to favor funding for new projects rather than critical capital renewal priorities
- There are still questions about how the projects previously identified as priorities by campuses were chosen and the principles that led to their selection. Before UCOP submits an additional phase of projects to the state, it should engage the Senate and other constituencies in additional discussion about the projects and principles that guide their assignment of priority.

It was also noted that UC may want to consider a blended model for the capital program, in which campuses have some "skin in the game". Vice President Lenz added that the University should not eliminate all new construction; new facilities can support core educational functions or lab space that helps attract and retain faculty.

Action: A statement summarizing these views will be drafted and circulated to UCPB for comment.

V. Overview of the UCOP Budget

- *Michael Reese, Associate Vice President for Business Operations*
- *Debora Obley, Associate Vice President, Budget and Capital Resources*

President Napolitano has asked for an efficiency review of the Office of the President, along with a breakdown of the UCOP budget and its changes over time, to project the impact of different options and help campuses plan their budgets. As a result, the 2014-15 UCOP budget is still under development.

UCOP separates its budget into three broad areas: general administration, systemwide academic programs and initiatives (e.g., Department of Agriculture and Natural Resources, academic preparation programs, and research programs), and centralized services (e.g., Office of the CFO, HR/Benefits Office). UCOP's total 2013-14 budget is \$617.8 million, \$288 million of which is restricted and \$329 million of which is unrestricted. The restricted budget includes funding for HR/Benefits management, laboratory management, and line items related to academic preparation and outreach programs and research (e.g., breast cancer, HIV, and tobacco research.) UC has decided to maintain a commitment to many of these latter programs, even though the Governor removed the line items for some from the budget.

The Funding Streams assessment funds \$296 million of the unrestricted budget for systemwide programs such as DANR, the UC Observatories, Multi-campus Research Initiatives, and UC Mexus; and centralized services such as the Office of Student Affairs and UC Path. The Agricultural Extension Station is funded through the three DANR campuses, and AES funds are folded into their campus allocations in addition to the rebenching formula allocation. UCOP also funds Cooperative Extension (the public service portion of the DANR budget) and the central DANR office. A Portfolio Review Group is currently discussing the most effective use of the UCOP research budget.

The unrestricted UCOP budget increased 6.2% in 2013-14, primarily the result of cost increases for UC Path, which is designed to save money over time; procurements; and new investments in the Office of General Counsel office, which are designed to save on costs associated with using outside legal counsel. It is unclear exactly how UC Path will affect the budget due to uncertainty related to its current “health check.” The CFO has identified over-reserves in the Mortgage Origination Program that will be used as one time funds to support the President’s recently announced initiatives.

The final UCOP budget will be available by February or March, and UCOP agreed to return with a more detailed presentation in the spring.

VI. Proposed Revised Self-Supporting Graduate Professional Degree Programs Policy

The [proposed policy](#) would replace the [2011 policy](#), and maintains several features of the current policy. It continues to make clear that self-supporting graduate professional degree programs (SSGPDPs) help UC serve more students than otherwise could be supported with existing state resources, and that such programs should be limited to graduate professional degrees that cater to non-traditional populations. It includes a new protocol for the initiation and approval of existing state-supported programs that wish to convert to self-supporting status. It says that conversions should be rare, and includes additional language about using only allowed funds to support existing self-supporting programs that lose the capacity to be self supporting within three years, as well as converted programs that are unable to remain self-supporting. The new policy includes additional language about annual reporting requirement for certification of SSGPDP status and about the need for programs to be financially accessible.

Discussion: Members expressed concern about the extent to which SSGPDPs divert faculty time and talent to “money making” programs that are not core to UC’s mission and the extent to which the policy would give the green light to more conversions. Members also remarked that it is unclear that the policy provides the Senate with a sound basis for identifying a proposal as an SSGPDP distinct from other graduate programs. The 2011 policy lists four clear criteria expected to be present in an SSGPDP, and while the new policy references those criteria, noting for example that SSGPDPs should be limited to graduate professional degrees that cater to non-traditional populations, it somewhat dilutes the 2011 criteria by suggesting that “many SSGPDPs” tend to have certain characteristics. Finally, members expressed concern that the current level of financial accountability may not be sufficient to address conflicts of interest.

Action: A memo will be drafted for UCPB’s review at the January meeting.

VII. Human Resources Perspective on UC Care

- *Dwaine Duckett, Vice President for Human Resources*

Vice President Duckett noted that UC's size often helps the university leverage competitive rates in negotiations with health care providers, but that UC ended its relationship with Anthem Blue Cross this year after Anthem implemented very large, unsustainable rate increases. At the same time, the university decided to implement UC Care, a new "self-funded" PPO medical insurance plan, which will replace Anthem for many employees. The Office of Human Resources (OHR) will approach UC Care no differently than any other provider in UC's medical insurance portfolio. UC Care will be expected to meet and maintain the financial and quality standards of any other provider or carrier, or UC will discontinue its relationship with the program. OHR is concerned about implementing an untested plan without Anthem, and will be watching UC Care outcomes closely. So far, a slightly higher number of employees who were enrolled in Anthem have signed up for UC Care.

UC did not anticipate the extent of Santa Barbara controversy and has been treating the coverage gaps there very seriously. UC recently announced that UC employees in the Santa Barbara area will have access to the least-expensive "UC Select" tier of providers within UC Care through Sansum Clinic. Unfortunately, there is no hospital signed on as a UC Select provider in Santa Barbara. OHR will retain dedicated staff through February to work with Santa Barbara employees on enrollment issues. In addition, any UC employee can change their enrollment elections until March 31 through their local benefits office.

UCPB has invited the Office of the CFO to a future meeting to discuss the captive insurance model; budgetary, enrollment, and risk assumptions for UC Care; and how anticipated enrollments compare to actual outcomes.

VIII. Revisions to the Compendium

UCORP has asked UCPB to review changes to [the Compendium's](#) section on Multi-Campus Research Programs (MRPI) prior to transmittal to the Academic Council. The revisions are intended to clarify the distinction between MRPIs and Multi-Campus Research Units (MRU).

Action: UCPB endorsed the revisions.

IX. Consultation with UCOP

- *Aimée Dorr, Provost and Executive Vice President*

Self-Supporting Graduate and Professional Degree Programs: The revised policy, implementation, and review protocol for self-supporting program (SSGPDP) proposals and the conversion of state funded programs to self-supporting status is a presidential policy developed by the Academic Planning Council. The new policy continues to stipulate that SSGPDPs are intended for non-traditional populations (e.g., working adults) but also recognizes that more programs are considering the self-supporting model as a way to support a greater number of

state-supported students in lean budget times. UCLA's recent effort to convert its state-supported MBA program to self-supporting status raised concerns from CCGA and other faculty that SSGPDPs place profit ahead of students and quality. The revision explicitly addresses conversions and notes that SSGPDPs should be treated identically to state-supported programs in terms of faculty approval and oversight. It also includes new annual certification requirements for SSGPDPs that includes reporting about the financial accessibility of the program. In addition, SSGPDPs are expected to define all direct and indirect costs to the program and campus associated with delivering and housing the program, and ladder rank faculty who teach in SSPs cannot have that teaching count toward their state supported workload.

Innovative Learning Technology Initiative: UCOP is developing a cross-campus enrollment system that will allow campus registrars to share information about online course enrollments electronically. There are now 11 UC online courses created with UCOE funds that will be open to students on other UC campuses. UCOP is funding the additional costs associated with opening the courses to students on other campuses and encouraging campuses to count the courses for more than just unit credit.

Meeting adjourned at 4:00 p.m.
Minutes prepared by Michael LaBriola
Attest: Don Senear