

**UNIVERSITY COMMITTEE ON PLANNING AND BUDGET (UCPB)
ANNUAL REPORT 2015-16**

TO THE ASSEMBLY OF THE ACADEMIC SENATE:

The University Committee on Planning and Budget (UCPB) held eight in-person meetings and two teleconferences in Academic Year 2015-16 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 AND ENROLLMENT

Senior leaders from the UCOP Offices of the Chief Financial Officer and Government Relations joined UCPB to inform the committee about the progress of budget negotiations in Sacramento, budget contingency planning, capital projects, tuition policy, proposed performance outcome measures, and other UC-specific budget matters.

Last year’s budget negotiations between President Napolitano and Governor Brown led to a budget framework that included several programmatic details as well as funding dicta. Of most concern to UCPB was the requirement to enroll an additional 5000 California undergraduates for the 16-17 academic year; UCPB was concerned that these students would not have adequate housing available, adequate classroom space available, and adequate instruction time made available. UCPB heard monthly from UCOP about enrollment planning contingencies occurring at the campuses, as well as how the enrollment increase was to be allocated by campus. UCPB again called for meaningful enrollment planning that would recapture the education narrative which the state is currently driving by focusing exclusively on California undergraduate admissions, rather than overall educational environment and academic quality after enrollment.

A comprehensive long-term enrollment plan would address graduate and professional school enrollment, too. These students perform essential functions as aides, tutors, and researchers, and they fill the pipeline from which future faculty are chosen. Being able to recruit and retain quality and diverse graduate students requires strategic planning and financial support.

This year the state conducted an audit of UC, and its findings were unkind to the University; the University has issued counterstatements that dispute the methodology employed by the auditor, the assumptions used, and the short-term focus of the state report. UCPB offered to help draft and edit statements and to help prepare data for evaluation.

UCPB hopes that with the budget predictability offered by the budget deals crafted under President Napolitano, out-year planning can occur in earnest beginning in 16-17. After all, it is unclear how many additional “efficiencies” can be found following years of serial budget cuts; new sources of funding will be necessary to ensure no further degradation of UC academic quality.

UCPB received regular reports on the Berkeley campus structural budget shortfall. Plans to consolidate academic programs, find administrative “efficiencies” including the layoff of up to 500 staff members, and restructure campus operations are still emerging. The local CPB and Senate leadership are involved, but high turnover among senior leadership has undermined confidence in many quarters. The likelihood that other campuses will face similar situations demands that this first instance must be handled carefully and transparently.

FINANCE

UCPB met with the Chief Financial Officer division regarding capital project planning and funding. Of particular focus was the Merced 2020 plan: the road envisioned to bring UC Merced into full flight as a mature campus. External economic pressures and local considerations have forced the reconceptualization of the Merced campus growth plan into a design, build, finance, operate, and maintain (DBFOM) model that has a strong pedigree in Europe, but is new to the United States and to higher education projects. The Regents approved this process in spring 2016, and UCPB will continue to monitor its progress.

UCPB learned more about UC's captive insurance program, Fiat Lux. The program is designed to save UC money by providing services in-house that were previously purchased from external vendors, in this case, in the area of insurance and re-insurance, or to avail of better commercial rates. UC is now able to manage its own debt in some instances, such as cash-on-hand for legal payouts and operating costs, which allows UC flexibility in how to leverage those funds while in abeyance. UC can also insure others' premium funds, and leverage those moneys, too. By not using external markets, UC can save administrator fees and other costs; considering the size of UC insurance bills, these savings are expected to total in the millions over time.

GRADUATE EDUCATION AND RESEARCH SUPPORT

University support for graduate programs also received much discussion by UCPB this year. The administration continues to develop guidelines to govern self-supporting graduate and professional degree programs (SSGPDPs) and to determine when increases in professional degree supplemental tuition (PDST) are appropriate. This year, UCPB continued routine review of SSGPDP proposals. UCPB developed an evaluation template based on the Academic Planning Council's SSGPDP proposal guidelines, and assigned each proposal a lead reviewer. UCPB noted on many proposals that faculty are expected to teach or supervise capstone type projects on an overload basis, and that long-term physical plant costs are often not considered in a realistic way. As SSGPDP proposals increase, the need for increased budget exactitude becomes clear. A budget template used at the campus level will be included in materials submitted for systemwide evaluation starting in 16-17.

UCPB also met with Provost Dorr to discuss doctoral student support and the institution's role in protecting and promoting graduate education and research. A new vice president for research and graduate studies was appointed after UCPB's final meeting of the year; the new committee will work closely with the new VP next year to strengthen support for graduate education and research.

INVESTMENT POLICY

This year, UC received the first of three "one-time" payments from the state for UCRP in recognition of achieving its enrollment target and launching a new pension tier as agreed to in last year's budget deal. The new tier emerged from a joint Senate-administration working group's recommendations to President Napolitano, who then made her slightly adjusted recommendation to the Regents. The new tier offers new hires a choice between a DB and a DC plan, with the option to switch election at the 5-year or tenure review. Hires who elect the DB plan can enroll in a supplemental DC plan for income that exceeds the PEPR limit; the supplemental plan is open to eligible faculty starting on the first day of hire, and to other employee groups once they pass the PEPR threshold. One UCPB critique of the new tier was to the paradoxical instruction to create a competitive plan that would save money. UCPB focused efforts on encouraging clear communications and education of new hires, and those who hired them. The long-term funding stability of UCRP requires additional influxes of cash, despite the lower normal cost of the new tier; legacy costs have not been addressed, and market volatility leads many to question the minimum funding ratio the plan must have.

CASH COMPENSATION AND HEALTH AND WELFARE BENEFITS

Following promulgation of the 2014 Total Remuneration Study for ladder-rank faculty, UCPB was alarmed at the deterioration in UC's remunerative competitiveness, especially in terms of cash compensation and the disproportionate impact on mid-career faculty still bound by UC's once "golden hand-cuffs". In response, a joint Senate-administration work group was formed to advise the President on (1) how best to allocate the current year's 3% salary increase, and (2) how best to close the 12% cash compensation gap over the next few years. UCPB was disappointed that the workgroup's advice on (1) did not receive traction, and that it was disbanded before it opined on (2). Instead, President Napolitano decreed that 1.5% would be allocated across the board, and that the other 1.5% would be allocated at local discretion to address equity, compression, inversion, and exceptional merit. The required reporting on the salary administration does not indicate that significant achievement was made in any of the four target areas, and overall, the UC faculty salary lag is greater than it was last year. Future salary increases might be expected to be administered under the same presidential guidelines, so the Senate must think creatively to find steps to close the compensation gap. As with other budget issues, selling academic quality to Sacramento or voters or philanthropists remains an uphill battle.

OTHER BRIEFINGS

- Agriculture and Natural Resources: UCPB kept abreast of developments in ANR through its representative to the Academic Council Special Committee on ANR, Riverside Representative Barish. UCPB also met with senior officials from ANR to understand and appreciate the unique financial situation of ANR and to begin to brainstorm paths forward. At the end of the year, it was determined to disband ACSCANR and empanel a new standing subcommittee on ANR that will report directly to UCPB. Populating the new group and finding leadership will occur over the fall.
- Education Abroad Program: UCPB participates in the EAP governing committee. UCPB remains concerned that structural budget issues remain unresolved, and communicated these concerns to Provost Dorr. EAP received a new Associate Vice Provost/Executive Director this year, and UCPB looks forward to working closely with her.
- DOE National Labs: UCPB was represented on the Academic Council Special Committee on Lab Issues by Vice Chair Sadoulet, and received regular updates on issues of interest from the labs. Management fees from the LLC in which UC partners are diminishing, and governance and operating concerns with LLC partners have arisen.

CORRESPONDENCE

In addition to memoranda addressing the above, UCPB submitted opinions and analyses on the following:

- Proposed Revisions to SBL 140 (UCAAD)
- Proposed Changes to the Search Waiver Policy
- Proposed Amendments to SR 417 and 621
- Proposed Changes to the President's Policy on Sexual Violence and Sexual Harassment
- UC Mexus 15-year Academic Review
- 10 Proposed SSGPDPs

UCPB REPRESENTATION

Chair Shane White represented UCPB at the Academic Council, the Academic Assembly, the Academic Planning Council, the Provost's Budget Advisory Group, and the Technology Transfer Advisory Committee (TTAC). He also served on the UC Education Abroad Program Governing

Committee and was Chair of Finance Committee for UCEAP. UCPB Riverside Representative Kenneth Barish represented UCPB on the Academic Council Special Committee on Agriculture & Natural Resources (ACSCANR), and Vice Chair Sadoulet was also a member of the UC Education Abroad Program Governing Committee and the Academic Council Special Committee on Laboratory Issues.

ACKNOWLEDGMENTS

UCPB is most grateful to the following committee consultants and guests for their valuable contributions: Provost Aimée Dorr; Associate Vice President for Budget Analysis and Planning Debora Obley; Todd Greenspan, Director of Academic Planning; Vice Provost for Academic Personnel and Programs Susan Carlson; Executive Vice President and CFO Nathan Brostrom; Controller Peggy Arrivas, and Chief Risk Officer Cheryl Lloyd.

Respectfully submitted:

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