TO THE ASSEMBLY OF THE ACADEMIC SENATE:

The University Committee on Planning and Budget (UCPB) met ten times in Academic Year 2019-20 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, Enrollment, State Relations, and Advocacy**

The University’s Chief Financial Officer, Associate Vice President for Budget Analysis and Planning, Associate Director of State Government Relations, and other senior administrators, joined UCPB each month to discuss the development of the 2020-21 University budget plan, the State budget, and the progress of budget negotiations and advocacy in Sacramento. UCOP leaders also carved out time to brief UCPB on UC’s cost structure and cost drivers, trends in state support, and UCOP’s method for allocating funds to campuses. UCPB Chair Malloy supplemented these updates with in- and between-meeting summaries of business from Academic Council and UC Regents meetings, and the monthly budget calls hosted by the UC Provost.

The onset of the COVID-19 pandemic in March upended the University’s budget plans and UCPB agendas. Committee meetings moved to a videoconference format, and discussions pivoted to the economic impact of campus shutdowns, the emerging state budget crisis, and expected cuts to the University’s budget. UCOP administrators who began the year by emphasizing the University’s plans to achieve a more sustainable funding partnership with the state, turned to updates on revenue loses at the campuses and medical centers; and contingency planning based on best-and worst-case scenarios for state funding and enrollment. The Senate also arranged for regular UCOP budget updates for the UCPB chair and Senate leadership to keep the Senate informed about developments.

Throughout the year, both before and after the onset of COVID, UCPB members urged UCOP administrators to challenge any suggestion that UC had responded successfully to past state funding cuts with new efficiencies, and was managing well with less funding. UCPB emphasized the gap between current State support and the real cost of providing a quality education to a diverse student body; observed that any new efficiencies paled in comparison to the loss of state funding; and noted that UC would be unable to maintain quality, access, and affordability without sufficient state support. UCPB also lamented the effect of past unfunded state enrollment mandates, and urged the University to reject anything less than marginal cost funding for new enrollments. Committee members asked administrators to speak honestly about how budget cuts have affected quality; and to communicate in quantitative terms the negative effects of past cuts, such as the elimination of upper division electives, senior seminars and theses; an increasing number of (larger) lecture classes; reduced opportunities for individualized contact with faculty; and thinning syllabi for lower division courses. UCPB advised administrators to develop metrics that showed how UC’s unique mission as a Research I University helped drive the state economy; to engage faculty in developing stronger messages on these themes; and to involve them in budget planning discussions at both the campus and systemwide level.
THE COVID-19 CRISIS AND BUDGET PRINCIPLES

UCPB understood that the pandemic would have far-reaching effects on the University related to campus budgets and deficits; enrollment and tuition revenue; medical and health operations; cash holdings; faculty research, hiring, and salaries; student health and education; UCRP funding, health benefits and employee costs; and staff support and pay. UCPB assumed that any cuts would harm the UC educational and research mission and believed the upcoming crisis had the potential to be deeper than the 2009 recession with multiple revenue impacts—not only from the downturn in state funding, but also from disruptions to enrollment, medical center profits, and auxiliary revenues. It sought to establish principles that could guide fiscal decision-making during the crisis and frame the difficult choices the University must make in the coming months.

In May, the UCFW chair joined UCPB to discuss a document written by former Senate and UCFW chairs summarizing their views on lessons learned from previous budget crises that could be applied to budget cuts expected in 2020-2022. The document informed a UCPB subgroup—Professors Newfield (Chair), Grandis, LiWang, Schumm, and Tom—who drafted a set of principles and processes to guide COVID-19 related budget issues. These principles evolved into a set of joint UCPB-UCFW principles ultimately endorsed by the Academic Council in June. The principles asked the University to use all possible means to avoid long-term damage to UC’s ability to deliver a quality education and to serve as the state’s essential source of original research. They emphasized the need to draw on the foundation of shared governance; to affirm that UC is one university; to rely on established processes; to maintain a stable employee base and hire faculty strategically; and to emphasize stewardship over expansion.

UCPB was disappointed by the immediate 8% cut to UC imposed in the final state budget bill. And while the Committee was hopeful about a potential federal bailout, it did not count on such a bailout to save the University, given that federal support would be short term and insufficient to address years of state disinvestment. By the end of the 2019-20 year, UCPB was unsure exactly what the future held, but had no doubt that recessionary forces were gathering and posed a serious threat to the very nature of the University. It was also sure that the University would need to approach difficult choices consciously and continue to emphasize UC as an educational, economic, health, and research engine that could help solve the state’s problems.

CAPITAL ISSUES

Throughout the year, UCPB encouraged the University to work with the Senate on plans for addressing the University’s $20 billion deferred maintenance liability that used clear metrics for prioritizing needs and specific progress milestones.

Proposition 13: UCPB followed the progress of a bill that became Proposition 13, a $15 billion public education facilities General Obligation bond that would have provided UC with $2 billion for construction and facilities modernization. The measure appeared on the March 10 ballot, but failed, a huge disappointment given the campuses’ dire needs around infrastructure and deferred maintenance.

Liabilities Working Group: President Napolitano and the Chair of the Board of Regents charged a Working Group on Long-Term Liabilities to explore revenue strategies for addressing campus budget and infrastructure challenges, options for resolving accounting liabilities such as those related to UCRP, and liabilities related to campus deferred maintenance and seismic deficiencies. UCPB Chair Malloy and TFIR Chair Brownstone were members of the Working Group, which was asked to report to the Regents in September.
INVESTMENT AND RETIREMENT ISSUES

Consultation with TFIR Chair: UCPB instituted a new practice of inviting the chair of the UCFW Task Force on Investments and Retirement (TFIR) to each meeting, and agreed that the TFIR chair would be a regular committee consultant going forward. TFIR Chair Brownstone briefed UCPB on a variety of investment and retirement topics, including the status of UCRP funding and employee/employer contributions, UCRP’s market performance, and the benefits of borrowing to support fiscal health.

UCRP: UCPB discussed a UCRP “experience study” that resulted in recommended changes to the actuarial assumptions for UCRP, and led the Regents to approve a plan to increase the employer contribution rate from 14% to 17% over six years, and an increase to the employee contribution rate from 7% to 8% over four years beginning in July 2022. Chair Malloy and TFIR members met with UCOP to review preliminary models for the employee increase. UCPB found that the financial justification for increased employee contributions was not strong, and questioned the push toward a 100% funded ratio. (The Academic Council formally opposed the increase.) UCPB also encouraged UCOP to seek state funding for UCRP, noting that UC had a strong case for additional Proposition 2 funding, given state support for CalPers and CalSTRs.

Borrowing: UCPB encouraged the University to consider borrowing to help spread recessionary effects over a longer period. Members reasoned that cuts could damage core operations immediately and in ways that would be harder to recover from compared to the burden of loan repayment, while borrowing could help stabilize campus revenues and bridge the long-term impact of cuts. UCPB also acknowledged that borrowing was not a perfect solution, but felt that the alternative – cuts impacting the delivery of education and research, and harming UC faculty and staff well-being – would be worse. UCPB also agreed that UC would not be able to borrow its way out of the crisis, and should combine borrowing with other options and strategies for stabilizing revenues. UCPB discussed a specific borrowing proposal co-authored by TFIR Chair Brownstone, but the proposal was withdrawn from consideration after the University issued bonds totaling $3 billion in July.

GRADUATE STUDENT FUNDING AND SUPPORT

The graduate student TA wildcat strike highlighted for UCPB structural issues that threaten the financial security of UC graduate students and the UC graduate education and research mission. In March, UCPB sent the Council chair a statement of principles for supporting graduate students that described conditions contributing to the crisis such as high housing costs, a lack of adequate state support, and over-enrollment. The statement emphasized that graduate students lack access to Cal Grants and other forms of financial aid, and that attracting and retaining high quality students would support research, campus rankings, and UC’s mission of training the next generation of scholars. It also noted that full funding of graduate students is crucial to UC’s undergraduate education mission, and its diversity goals. The letter also suggested a longer-term study about these issues. Council approved the letter in April. Provost Brown also joined UCPB to discuss common goals around graduate education funding and strategies for changing UC’s dynamic with the Legislature to inspire more support for graduate education and graduate students.

COHORT TUITION

UCPB discussed models for cohort-based tuition pricing that would guarantee entering undergraduates a tuition level for the duration of their enrollment. UCPB understood the benefits of the cohort model to be increased cost predictability for students and families and increased revenue predictability for campuses. However, UCPB also understood that the sustainability of the model would depend on stable state funding, and was concerned about tying the Regents’ hands if state
funding fell dramatically. UCPB supported the cohort approach in principle, but did not endorse it outright. UCOP brought the issue of cohort tuition to the Regents, who delayed discussion and then dropped the proposal following the onset of COVID-19. UCPB’s graduate student representative also emphasized the gaps in UC’s financial aid model that do not address the total cost of attendance, of which non-tuition/fees costs are becoming a bigger share for students.

**Finance Policy**

UCOP leaders briefed UCPB on asset optimization initiatives and capital strategies that help UC maximize returns on working capital, manage liabilities, reduce administrative expenses, and generate additional unrestricted revenues for the campuses. UCOP also discussed UC’s use of systemwide debt to finance capital projects, its efforts to restructure debt to achieve cash flow savings, and its use of Limited Project Revenue Bonds and public-private partnerships to fund new housing projects.

**UC Path and Composite Benefit Rates**

UC Path leadership and the systemwide Controller joined UCPB in November to provide perspectives on several issues identified by UCPB members about Composite Benefit Rates and UC Path. These included paycheck discrepancies for graduate students paid from multiple sources; incorrect benefit cost charges for existing faculty grants; issues for UC employees working internationally; and communication problems across UC Path, campus staff, and UCOP administrators. UCOP leaders described processes in place to identify and correct the technical and business problems identified; preventative measures to inform subsequent UC Path deployments; and improvements to programming and operations that have improved pay accuracy, communication, and customer service. UCPB members acknowledged that the current UC Path leadership inherited an engineering, organizational, and public relations problem; however, they expressed concerned that problems were lingering too long into implementation. UCPB will continue to monitor the progress of UC Path implementation next year.

**Climate Change and Sustainability**

**Climate Change Principles:** In November, UCPB endorsed a set of principles proposed by UCORP to guide UC’s response to the climate change challenge. The principles asked the Senate to support UC’s lead in working towards carbon neutrality and de-carbonization; prioritize the objectives of the UC 2025 Carbon Neutrality Initiative (CNI); deploy faculty expertise; support and coordinate faculty engagement in developing alternative approaches to climate change; and mobilize diverse multi-, cross-, and trans-disciplinary teams to communicate the urgency of the goals.

**Commercial Banking Resolution:** In July, UCPB supported a request to the UC Chief Investment Officer to issue an RFP for new commercial banking vendors that would require vendors to adhere to Environment, Social and Governance (ESG) principles.

**Fossil Fuel Industry-Funded Research:** UCPB also discussed, but did not act on, a proposed systemwide policy that would require special procedures for the submission of research funding proposals to fossil fuel companies and affiliates.

**Climate Change Working Group:** Vice Chair Schumm participated on a Senate working group that created a charge for a Senate task force to lead the Senate response to climate change, guided by Academic Council’s November 2019 principles.
SELF-SUPPORTING GRADUATE PROFESSIONAL DEGREE PROGRAMS (SSGPDPs)

**Review of Individual SSGPDPs:** Per the Compendium, CCGA leads the main systemwide review of proposed SSGPDPs, while UCPB provides financial analysis to CCGA after assigning a lead reviewer to assess the business plan and market analysis. UCPB reviewed six SSGPDPs this academic year.

- UCB Master of Development Engineering
- UCLA UCI Master of Applied Geospatial Information Systems and Technologies
- UCLA Master of Engineering
- UCLA Master of Financial Engineering – Asia Pacific
- UCLA Master of Healthcare Administration
- UCR Master of Science in Business Analytics

Most UCPB members served as lead reviewer for one SSGPDP. Lead reviewers were guided by a revised UCPB review template that addressed multiple topics including the financial viability of the SSGPDP, the proposed IDC rate and how it was determined; the planned use of net revenues; and the disposition and compensation of faculty serving the program. Reviewers also considered factors that could prevent the program from achieving UC quality; the extent to which SSGPDPs could divert resources – including space, services, and faculty effort – away from state-supported programs; their financial aid plan, and other factors that could affect accessibility to diverse and underserved student populations.

UCPB’s lead reviewers noted when SSGPDP proposals included strong academic and market justifications, and well-documented academic, business, and facilities usage plans. When appropriate, they asked programs to clarify issues around the accuracy of and support for the market analysis; contingency plans for enrollment shortfalls; the accounting of IDC to the campus for facilities usage; the teaching obligations of ladder rank faculty and the sustainability of overload teaching; return-to-aid and financial accessibility plans; and mechanisms for ensuring the separation of the state-funded and self-supporting components of mixed enrollment courses.

UCPB was concerned that it has no way to assess the financial performance of SSGPDPs after they are established. Data on fiscal outcomes of approved SSGPDPs relative to projections would help inform UCPB about what comprises a realistic budget model. UCPB was also concerned that the high cost of SSGPDPs makes them less accessible to underprivileged populations and was skeptical about the ethics of charging high tuition rates for reproductions of existing state programs. It encouraged programs to monitor access and diversity trends through an ongoing analysis of data on the socioeconomic, gender, and racial composition of SSGPDP applicants and enrollees. Finally, UCPB was concerned that the reliance of individual programs on external vendors for course design and program management and the significant fees paid to those vendors was inappropriate, diluted the UC brand, and threatened UC faculty ownership over course materials.

**SSPGDP Program Subcommittee:** A CCGA and UCPB subcommittee met to discuss next steps and develop recommendations for improving the review of new SSGPDPs and increasing the accountability of existing SSGPDPs. The subcommittee drafted an initial set of guidelines for the Senate review of SSGPDPs both at the proposal stage and during periodic post-approval evaluations. The committees will continue and complete their review in the new academic year.

**Reviews of Multi-Campus Research Units (MRUs)**
UCPB participated in the five-year reviews of two Multi-campus Research Units: the Bioengineering Institute of California (BIC), and the UC Observatories (UCO). Following
procedures outlined in the Compendium, the reviews were performed by a Joint Senate Review Committee, led by UCORP with input from UCPB and CCGA. Patricia LiWang represented UCPB on the BIC review subcommittee. Harry Tom represented UCPB on the UCO review subcommittee.

**UCPB Task Force on Agriculture and Natural Resources (TF-ANR)**

Eleanor Kaufman chaired TF-ANR, which met three times by videoconference. In November, TF-ANR met with two of the three Agricultural Extension Station deans (Dillard of UCD and Uhrich of UCR), who repeated the budget presentations they made in September to the ANR Governing Council. TF-ANR devoted the February meeting to issues related to Cooperative Extension (CE) Specialists. Six CE Specialists joined as guests and discussed issues such as research funding, relations with home departments, working with graduate students, and Senate membership. TF-ANR considered how best to support concerns Specialists expressed about feeling like “second-class UC citizens” without a strong support structure or full Senate rights and privileges. Some of the Specialists asked TF-ANR to revisit the longstanding issue of extending Senate membership to CE Specialists, though members did not reach consensus on this topic. In April, TF-ANR met with ANR Vice President Humiston, who discussed ANR’s response to the COVID-19 crisis, and the long-term implications of the crisis on the ANR budget, strategic planning, and priorities. The task force also met with Senate Vice Chair Gauvain, who chaired the 2011-12 Academic Council Special Committee on ANR, and served as Senate representative to the 2018 UC ANR Advisory Committee. Finally, UCPB approved changes to TF-ANR’s membership for next year to promote more diversity and representation from AES campuses, and UCOC assisted.

**Other Briefings and Issues**

**National Laboratories:** In December, the Executive Director of UC National Laboratories Programs briefed UCPB on the history, role, and mission of the three UC-managed laboratories, their funding structure and budgets, and the fiduciary roles of the UC Office of National Laboratories (UCNL), including UCNL’s management of the Laboratory Fees Research Program.

**Faculty Housing and Home Ownership:** In December, the Director of UC Home Loan Programs briefed UCPB on the function and financial status of the Mortgage Origination Program, the Supplemental Home Loan program, and other University efforts to assist in homeownership for faculty.

**Faculty Salaries:** In December, the Office of Academic Personnel joined UCPB to discuss data on faculty salary scale increases in the professional ranks and efforts to close the UC faculty pay gap with the Comparison 8 institutions. They returned in February to update UCPB on the work of the joint Faculty Salary Scales Task Force that had been charged with reviewing the role and meaning of the UC faculty salary scales.

**Working Group on Comprehensives Access (WGCA):** In February, past Senate Chair May joined UCPB to discuss the WGCA Chair’s Report, which had been released for public comment. UCPB expressed support for the report’s “Option 2,” which recommended that UC avoid affiliations with entities whose values conflict with UC’s public mission and values. UCPB also observed that there was no “one-size-fits-all” solution and an absolute prohibition on affiliations could adversely affect access to care, including through the Veterans Affairs hospitals.

**UC-ANR:** In June, UC ANR Vice President Humiston discussed the mission and role of UC-ANR, the Agricultural Experiment Station, and Cooperative Extension; ANR’s work to address nutrition, climate change, drought, food safety, pests, supply chain disruptions, and other challenges facing rural California; the sources of ANR funding and the status of the ANR budget.
**UC Health:** In June, Executive Vice President for UC Health Carrie Byington briefed UCPB on COVID-related costs and losses at the medical centers; UC Health’s role in battling the pandemic; and the work of the systemwide task force she led that made recommendations for campus-based testing, tracing, and safety procedures.

**APM 120:** UCPB responded to the systemwide Senate review of APM 120 by recommending that faculty in Health Sciences titles such as “in Residence” and “Clinical X,” as well as LSOE and Teaching Professor titles have access to the automatic conferral of emerita/emeritus status.

**Statement on Presidential Search:** UCPB wrote to the Council chair in January, urging that the presidential search process be as open and transparent as possible, and that the Regents Special Committee allow the chair of the Academic Advisory Committee to attend Special Committee deliberations.

**UCI School of Pharmacy:** UCPB endorsed a pre-proposal, and later the full proposal, for a new School of Pharmacy and Pharmaceutical Sciences at UC Irvine. Professor Jennifer Grandis (UCSF) led both reviews.

**ACSCOLI:** Vice Chair Schumm represented UCPB on the Academic Council Special Committee on Laboratory Issues, and briefed UCPB on relevant issues from those meetings.

**Campus Reports:** UCPB set aside a portion of each meeting for updates from members about issues under discussion on campuses and local budget and planning committees. These briefings touched on a wide range of topics, including: responses to COVID-19; faculty participation in budget and academic planning; the status of campus structural deficits; campus experiences with Responsibility Center Management budget models; the graduate student wildcat strikes. local academic and space planning issues; the implementation of UC Path; staff workload, morale, and compensation; and struggles adjusting to the new normal of underfunding.

**Senate Leadership Briefings:** The Academic Council chair and vice chair attended a portion of each UCPB meeting to brief the committee on business from Academic Council and Board of Regents meetings, and other systemwide issues of interest to UCPB or of general interest to faculty, including news about Senate and University responses to COVID-19; the status of the UC Presidential search; the work of various Senate task forces; and the University’s response to nationwide protests against police violence.

**Student Representatives:** UCPB’s undergraduate and graduate student representatives were active participants in a wide range of committee discussions. They effectively conveyed their personal views and concerns, as well as those of their student peers and colleagues. They were particularly vocal in discussions about tuition, financial aid. and the importance of preserving affordability and educational quality, graduate student support.

**UCPB Representation**

Chair Sean Malloy represented UCPB at meetings of the Academic Council, the Assembly of the Academic Senate, the Academic Planning Council, the UCFW Task Force on Investment and Retirement, and the Provost’s monthly budget Zoom meeting. He was also a member of the Academic Advisory Committee for the Presidential Search, the Joint Task Force on the Faculty Salary Scales, and the Joint Working Group on Liabilities and Funding Gaps. Vice Chair Schumm represented UCPB on the Academic Council Special Committee on Laboratory Issues. Christopher Newfield represented UCPB on the UC Education Abroad Program Advisory Committee; and Eleanor Kaufman led the Task Force on Agriculture and Natural Resources.
ACKNOWLEDGEMENTS

UCPB benefited from regular consultations with Interim CFO Paul Jenny; Associate Vice President for Budget Analysis and Planning David Alcocer, and Associate Director of State Government Relations Seija Virtanen. UCPB is also grateful to the following consultants and guests for their contributions: TFIR Chair David Brownstone; Provost Michael Brown; UC Health Executive Vice President Carrie Byington; ANR Vice President Glenda Humiston; Associate Vice President Mark Cianca; UC Path Director Dan Russi, Systemwide Controller Peggy Arrivas, General Counsel Shondella Reed; Home Loan Programs Director Ruth Assily; UCORP Chair Andrew Baird; Director of Sustainability Matt St. Clair; UCM Professor Roger Bales; Vice Provost Susan Carlson and Deputy to the Vice Provost Pamela Peterson; Analyst Gregory Sykes; National Labs Programs Director June Yu; Associate SGR Director Kathleen Fullerton; and UCSD Professors Eric Halgren and Adam Aron. UCPB also appreciates the contributions of faculty who attended UCPB meetings as alternates for regular committee members: Tim Groeling (UCLA) and Shane Jimerson (UCSB).

Respectfully submitted:

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