

**UNIVERSITY COMMITTEE ON PLANNING AND BUDGET (UCPB)
ANNUAL REPORT 2016-17**

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 2016-17 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, Budget and Analysis and Planning and Academic Affairs, Institutional Research and Planning 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.

UCPB closely monitored last year’s budget requirement to enroll an additional 5000 California undergraduates for the 16-17 academic year. UCPB heard monthly from UCOP about enrollment planning contingencies occurring at the campuses, as well as how the 2017-18 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. In response, this year the administration began a long-term visioning exercise that asked each campus to project its idealized 2040 steady state. UCPB members worked to ensure local Senate division participation in the exercise.

In the context of rapid expansion of our undergrad population and the emerging capacity constraints, UCPB started to explore with the administration how to come up with quantitative proxies for education quality that may allow UC to monitor the impacts of the current evolution and to guide his enrollment and capital planning. This will remain a focus of the committee.

This year the state conducted an audit of UCOP, and its findings were unkind to the University; the University has issued counterstatements that dispute the methodology employed by the auditor and the assumptions used. Nevertheless, UCOP agreed to implement nearly all of the recommendations, but the state still passed a bill that will give it direct funding authority over UCOP. UCPB concurred with the administration that, in order to prevent inequities between campuses on their contribution to central expenses, the rebenching algorithm should be applied on the total of state funds, including the UCOP line item and allocations to the various campuses corrected for the assessment that would have been normally applied. This implies that campuses will have to redistribute internally the funds that would have been raised for the assessment. While such an allocation mechanism in principle cancels the effects of a UCOP line item, this might lead to distortions. UCPB will monitor how the change impacts off-the-top assessments, progress made during rebenching in equalizing funding by campus, and how pass-through funds are impacted. The introduction of the line item is both a threat to the constitutional independence of the university and a step backward in the transparency that rebenching introduced.. UCPB recommends that all effort be made with the State to convince the legislators to revert to the assessment mechanisms.

Following last year's audit of UC as a whole, the state required UC to develop a new policy regarding non-resident undergraduate enrollment, among other stipulations. UCPB spent significant time and effort helping to refine UCOP's arguments opposing an arbitrary cap on non-resident undergraduate enrollments, but the state was ultimately not persuaded by these arguments. Instead, the Regents adopted a compromise position with an agreement to revisit the issue within four years. UCPB is concerned that more well-established campuses will benefit disproportionately from the policy as it allows them to retain out-of-state tuition at current levels while precluding less well-established campuses from increasing their income to a similar level. UCPB is also concerned that academic quality will continue to suffer not only as a result of loss of income but also due to loss of economic, geographic, and other aspects of diversity.

UCPB considered the consequences of the requirements imposed by the legislature on campus by campus transfer ratios and preference to in State graduate students and contributed to the formulation of a response by the Academic Senate.

UCPB advised the administration on how to develop and deploy a revised policy on professional degree supplemental tuition (PDST). Recognizing that enrollees in this program advance their fields and enhance UC prestige, UCPB counseled leeway in the new policy. UCOP heeded this advice, and the new policy allows for multi-year projections, so long as they are supported by adequate data. UCPB agrees that this policy allows for greater financial planning by both students and departments.

UCPB again this year received regular reports on the emerging campus structural budget shortfalls. Berkeley plans to consolidate academic programs, find administrative "efficiencies" including the layoff of up to 500 staff members, and is restructuring campus operations with varying degrees of success. As other campuses encounter similar structural deficits, best practices are being sought, as well as alternate funding methods.

GRADUATE EDUCATION AND RESEARCH SUPPORT

University support for graduate programs also received much discussion by UCPB again this year. Last year, the administration promulgated new guidelines to govern self-supporting graduate and professional degree programs (SSGPDPs). UCPB reviewed a dozen such proposals, and noted on many 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. The campuses included greater budget projections, but additional details would improve future proposals. UCPB is coordinating with CCGA how to best improve the process.

FINANCE AND INVESTMENT POLICY

UCPB met with the Chief Financial Officer division regarding capital project planning and the University's credit rating and borrowing capacity.

This year, UC received the final 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 the 2015 budget deal. Despite the less-generous benefits of the new tier, the incumbent liability was unchanged by the new tier. How best to address the older liabilities is the subject of continuing discussions. In addition to continued borrowing from STIP and TRIP, UCRP will increase the employer contribution to 15% going forward. This increase is expected to bring UCRP to 90% funded status by 2030, and UCPB supports the move. Additional strategic changes being considered involve adjusting the inflation assumption.

Changes to federal accounting regulations will result in an accounting increase in UC's

retiree health liability, though the absolute amount remains unchanged. UCOP is developing proposals to meet obligations made during hiring and employment while simultaneously lowering the calculated liability. UCPB is working closely with UCFW to ensure that institutional fiscal prudence does not overburden retirees. The Senate is working to reframe the debate on individual retirees rather than institutional concerns. Health outcomes versus accounting solvency are being weighed and debated.

AGRICULTURE AND NATURAL RESOURCES

At the end of 2015-16, the Academic Council elected to disband the Academic Council Special Committee on Agriculture and Natural Resources (ACSCANR) and empanel a new standing subcommittee on ANR that will report directly to UCPB. UCPB worked to populate the new task force throughout the year, and the task force met for the first time in early summer. The task force will focus on 1) building relationships with ANR leadership, and 2) financial transparency. Vice Chair Schimel is leading the task force into next year.

OTHER BRIEFINGS

- UC Health: UCPB met with Executive Vice Provost John Stobo to discuss financial performance of the UC medical centers and UC's self-insurance program, UC Care. The size of the health enterprise relative to the academic campuses makes it an essential component of UC's overall fiscal health. Health margins were down this year, and that is a product of changes to reimbursement practices and increasing post-employment benefit expenses. Contingency planning in case of changes to federal health care legislation is underway. Another significant expense for UC Health is cybersecurity, which is a growing and increasingly complex undertaking.

UC Care is still a new enough program that its cost overruns are within acceptable margins. Nevertheless, the plan must improve its efficiency to be sustainable in the long-term. Employer plan cost containment sometimes comes at the expense of plan member out-of-pocket cost increases.

- UC Path: In an on-going effort to modernize its payroll system, UC has engaged in the UC Path project. UC Path is two-pronged: 1) a facility in Riverside that will handle common payroll transactions, and 2) a shared software campus human resources professionals can use in place of the multiple legacy systems that do not communicate with each other. Various leadership changes and strategic reorganizations have caused delays and overruns, but the project seems on firm footing now. UCOP has been using UC Path since December 2015, and the next "go live" event is scheduled for the fall of 2017, which include UCLA- a campus with a full employee base as well as a medical center and its attendant title codes and complexity. Because of UC's uniqueness and complexity, software must be customized. The overall cost is now unfortunately high, and UC has stopped advertising this program as a cost savings, and now refers to it only as a business improvement necessity. Each campus has participated in the development process and has agreed to the processes as developed. UCPB will monitor implementation of the next phase.
- 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. A new EAP Associate Vice Provost/Executive Director continues to develop strategies to address long-term budget issues.
- DOE National Labs: UCPB was represented on the Academic Council Special Committee on Lab Issues by 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 APM 190-G (Retirement contributions on academic summer salary)
- Proposed Presidential Policy on Export Controls
- Proposed Presidential Policy on International Activities
- Proposed Presidential Policy on Electronic Information Security
- Proposed Revisions to APM section 285, 210-3, 133, and 740 (Lecturers with Security of Employment)
- 12 Proposed SSGPDPs

UCPB REPRESENTATION

Chair Bernard Sadoulet 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. Vice Chair Schimel 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 David Alcocer; Pamela Brown, Vice President, Institutional Research and Academic Planning; Todd Greenspan, Director of Academic Planning in IRAP; 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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