I. Chair’s Announcements

Shane White, UCPB Chair
Bernard Sadoulet, UCPB Vice Chair

Update: Chair White updated the committee on several items of interest: The Academic Council meeting of February 24, 2016, included discussion on placement tests and open access implementation. The Council voted requested additional information and clarification on proposed bylaw amendments from the University Committee on International Education.

UC’s Education Abroad Program advisory committee met the new program director, who inherited the program budget. Changes to earmarks and spending priorities will be monitored closely.

Vice Chair Sadoulet reported on the Academic Council Special Committee on Lab Issues (ACSCOLI) meeting of February 25, 2016. ACSCOLI is tasked with monitoring how UC works with the national security labs it co-administers (Los Alamos National Lab and Lawrence Livermore National Lab) and the Lawrence Berkeley National Lab which conducts general science. UC co-administers the national security labs via limited liability companies (LLCs) in which Bechtel is the major private industry partner. The LLCs report to the National Nuclear Safety Administration (NNSA) as the labs are responsible for stewarding the nation’s nuclear arsenal.

II. Consent Calendar

1. DRAFT Minutes of February 2, 2016
Action: The minutes were approved as amended.

III. Consultation with the Office of the President – Fiat Lux

Cheryl Lloyd, Chief Risk Officer
Courtney Claflin, Executive Director, Captive Programs

Update: CRO Lloyd reminded members of the goals of the Fiat Lux program, and listed board-approved initiatives. UC has never carried earthquake coverage as it is too expensive. UC does have “fire following” insurance, though. Property coverage is complicated for an entity like UC, and careful management is needed. Many policies only offer limited use payouts, such as for construction but not for payroll, so different types of back-stops are required.

The Fiat Lux balance sheet is an explanatory tool only at this time; the program is still new and ramping up, so financial stability should not be extrapolated from current numbers. UC also needs “cash on hand”/reserves for under deductible expenses and for pre-paid third-party expenses (which are reimbursed to UCOP by the campuses over time). When the program is mature, it is expected to conduct $500M annual business, with $800M in assets. New programs are discreet, and will grow by predictable amounts. Reserves are currently
divided into two buckets: for known expenses and for unspecified expenses (the latter sum is based on an industry actuary’s calculations using longitudinal data). Fiat Lux will soon move to monthly financial reporting because quarterly reports will become unwieldy. The advisory board will continue to meet quarterly, while the finance and underwriting teams meet monthly.

Cyber-risk is a growth market, but because Fiat Lux is a captive administered by a public institution, even board-approved actions must be approved by state or federal regulators. Fiat Lux’s proposal for a health risk retention group (RRG) is being reviewed at present. An RRG is a unique type of captive which is governed by federal law, not state law. RRGs provide firewalls and security for UC. Other areas for Fiat Lux expansion could include voluntary health plans like vision and dental.

**Discussion:** Members asked what role the Senate had in Fiat Lux, and Director Claflin indicated that the RRG board would require two policy-holder physicians, but they would probably be third-party affiliates due to the unique nature of RRGs. Members noted that shared governance has a role in Fiat Lux, too.

**Action:** CRO Lloyd will report back in the fall, when more financial details are available.

### IV. Activity-Based Costing

**Issue:** As part of last year’s budget deal with the governor, President Napolitano obligated UC to undertake a pilot analysis of activity-based costing (ABC) as an alternate method of determining the cost of instruction. Many have concerns about the methodology underlying ABC, most of which focus on the seemingly sole focus of lowering cost with no consideration of the quality of education delivered. Another concern is that findings from one discipline may be inappropriately used for comparisons with a significantly different discipline. A third concern is that the study parameters do not allow for synergistic assessments, but only linear calculations of isolatable and additive inputs.

The pilot study at Riverside is running up to a year late, and subsequent pilots at Davis and Merced could be launched after the Riverside results are assessed. The pilot measures cost and quality separately. Previous efforts using this methodology at other institutions of higher education were abandoned without result. UC’s large fixed costs do not fit in the study methodology well. The pilot also requires effort reporting and could implicate indirect cost-recovery. UC’s current cost of instruction formula is better.

### V. Consultation with Academic Senate Leadership

*Dan Hare, Academic Council Chair*

*Jim Chalfant, Academic Council Vice Chair*

**Update:** Chair Hare updated the committee on several items of interest: 1) The Retirement Options Task Force report and the President’s recommendation will be considered by the Regents in a few weeks. The supplement to be made available for above-the-PEPRA-cap income is not linear. 2) The Joint Committee on Faculty Discipline has issued its report. The Academic Council was generally receptive, but it is a complicated issue. Other stakeholder groups are reviewing the report, too. 3) Academic Council vice chair nominations are open until March 16. 4) The Intersegmental Council of Academic Senates (ICAS) discussed the newly introduced bill that would grant credit for AP scores of 3 or above, but UC and the Community Colleges are wary of the proposal. 5) Academic Personnel is completing an analysis of the
administration of the discretionary portion of last year’s faculty salary increase. There is significant variation, and UCPB should consult with Vice Provost Carlson when the report is ready.

Discussion: Members asked what strategies were being discussed to address the faculty salary compensation gap. UCOP tells the committee that the approved reinvestment in quality category includes faculty salary, but members noted that EVCs do not receive a block titled “reinvestment in quality”, so getting expenditure data from them has proven difficult. The level of guidance from UCOP regarding “quality” expenditures is unclear, as is the amount of reporting back to UCOP on those expenditures. Members speculated what “quality” metrics would be convincing to external audiences and spur them to increase funding to UC.

VI. Consultation with the Office of the President – Budget and Enrollment

Debbie Obley, Associate Vice President, Budget Analysis and Planning
Todd Greenspan, Director, Academic Planning

Issue: AVP Obley reminded members that the $25M from the state is only half of the funding needed for the 5000 new California undergraduates UC agreed to admit for 2016-17 as part of the budget deal. But UC has to enroll more than 5000 new students since the target data is based on 14-15 enrollments, not 15-16 enrollments, when the admissions were lower on most campuses; as a result, there is a “trough” that must also be absorbed by UC with no additional external funding. Part of the year 1 funding gap will be closed by changes to the non-resident financial aid, and UCOP will provide bridge funding to help close the rest of the gap. Some of the trough will be closed by strategic use of wait-lists and increased transfers.

UCOP expects significant push-back after the state releases its audit of UC, especially in the area of non-resident enrollment. Because UC utilizes “holistic” review for admission, some non-residents may not compare favorably on all mathematical axes. Another complicating factor is the systemwide total ratio and the by-campus ratio of non-resident enrollment patterns. UCOP will receive a copy of the audit tomorrow, and will have five days to issue a response for inclusion in the public release. Despite the audit, relationships with individual legislators and several departments are improving.

Discussion: Members asked what accountability the campuses were asked to provide regarding their expenditures in the “reinvestment in quality” bucket. AVP Obley indicated that a form will be sent to the campuses, but not until after the audit. Members asked how much of the systemwide funds devoted for quality were given to each campus, and APV Obley said that that level of detail is not available. “Isotope tracking” of dollars from the state or from tuition is not feasible.

VII. Campus Updates

1. Budget processes

Issue: Members were asked to report on how each campus CPB is involved in setting campus budgets.

Discussion: Over half the campuses reported no involvement at all. A few campuses are asked about limited or incremental changes or specific high-profile expenditures, but no comprehensive review is available. Some information is available upon request, but there is limited opportunity to opine or advise.
2. Berkeley structural shortfall

**Issue:** The shortfall is $150M today and is projected to grow to $260M by 2020 if no action is taken. The tuition freeze agreed to by President Napolitano is exacerbating long-standing issues, and federal funding has remained flat. Berkeley has been using reserves the past few years, and personnel is the largest single expense. Options currently under consideration include academic restructuring (merging departments, etc.), more high fee professional programs, and “administrative efficiencies”. The campus real estate office has a new vice president, so long-term changes could occur there. Debt service refinancing is also under consideration. Campus athletics have a push/pull relationship with debt and fundraising and the press. Deferred maintenance costs are thought to total ~$1B, and assuming more debt through a GO bond is politically problematic. Every department has been asked to prepare 10% across the board operating cuts.

**Discussion:** The financial utility of a medical school to the general campus is unclear; that pendulum also swings from boom to bust. Greater reliance on lecturers and changes to non-resident enrollment practices could offer short-term relief.

VIII. Systemwide Review Items

1. Guiding Principles for Search Waivers

**Issue:** The proposed changes outline cases in which search waivers could be used: for spouses, targets of excellence, and President’s Post-doctoral Fellows. The campuses are free to use stricter standards.

**Discussion:** Members had concerns of the indefinite duration of some waivers, and wondered whether it applied to a person or a position. There were also questions about faculty administrator FTE percentages.

**Action:** Analyst Feer will draft a response for electronic approval.

2. Joint Committee on Faculty Discipline Report

**Discussion:** Members were unclear who was to be held responsible for a failure to take action. Providing more than one confidential resource for larger campuses or for those with a medical school could be necessary. Students are left without a confidential resource.

**Action:** Analyst Feer and Vice Chair Sadoulet will draft a response for electronic approval.

IX. New Business

None.

Adjournment 3:30.

Minutes prepared by Kenneth Feer, Principal Analyst
Attest: Shane White, UCPB Chair

Attendance:
Shane White, Chair (UCLA)
Bernard Sadoulet, Vice Chair (UCB)
Richard Stanton, Berkeley (Alternate)
Mitchell Sutter, Davis
James Steintrager, Irvine
Jeff Eldredge, Los Angeles (Alternate, phone)
Mukesh Singhal, Merced
Ken Barish, Riverside
Anthony Edwards, San Diego (Alternate)
Russ Pieper, San Francisco
Josh Schimel, Santa Barbara
Abel Rodriguez, Santa Cruz
Paul Monge, Graduate Student Representative