

***Minutes of Videoconference Meeting***

January 3, 2023

**Present:** Donald Senear (Chair), Marc Steurer (Vice Chair), Max Auffhammer (Berkeley), Heather Rose (Davis), Alyssa Brewer (Irvine), Andrew Leuchter (Los Angeles), Kevin Mitchell (Merced), Peter Atkinson (Riverside), Michael Provence (San Diego), Jill Hollenbach (San Francisco), Jim Rawlings (Santa Barbara), Dard Neuman (Santa Cruz), Peter Ko (Graduate Student, San Diego), Susan Cochran (Chair, Academic Council), James Steintrager (Vice Chair, Academic Council), Cain Diaz (Director, Operating Budget), David Alcocer (Associate Vice President, Budget Analysis and Planning), Seija Virtanen (Associate Director, State Governmental Relations), Nathan Brostrom (Chief Financial Officer), Stefani Leto (Analyst).

**I. Consent Calendar**

UCPB approved the minutes of December 6, 2022 and the Agenda for January 3, 2023.

**II. Chair's Announcements**

Chair Senear led a discussion of faculty salary increase included in the 2022-23 budget passed by the Regents. The proposed 4.6% increase might be applied entirely to the salary scales with no provision for non-scale salary components. It was noted that President Drake only has authority over on-scale salary increases. Recent past salary increases have included provisions for equity and market adjustments that could apply to off-scale and above-scale components but are at the Chancellors' discretion. Disparities in application between campuses are likely.

The Chair noted faculty concerns about the timing of the salary increase. An October implementation, rather than the July as for other staff, disadvantages those paying either summer salary or negotiated salary from grants; it also negatively affects the Highest Average Plan Compensation (HAPC) that sets the pension benefit for those who retire during the fiscal year. President Drake's response to a joint UCFW-UCPB letter from September 2022 did not alleviate these concerns. Annual salary increases for the newly unionized graduate student employee salaries will also be implemented October 1, blunting the argument that the timeline singles out faculty.

UCPB was asked if the committee should once more express these concerns in a letter. Wide-ranging discussion ensued:

- Members expressed the opinion that OP claims that increasing faculty salary on the same July 1 timeline as staff is "too complicated" begs belief. Increases could be applied retroactively.
- If it truly is a programming issue, it would be another example of a UC Path failure as this is not the only time its limitations have been invoked to explain an unwillingness to

- perform an action. For example, even with significant notice of the impending graduate student strike, pay was not suspended quickly, perhaps extending the labor action.
- One member noted how differently campuses approach off-scale salary increases. With the last two UCOP salary-scale increases, UC Davis funded off-scale and above scale adjustments as well.
  - The Regents' desire for more merit programs concerned the Academic Senate and led to the Senate's recommendation to adjust the scales (in the 2017 discussions, the Senate did not weigh in on the preference between an X% adjustment to total salary or something greater than X% to the scales only as that was a secondary issue).
  - Discussion regarding last year's equity adjustment revealed that campuses applied it differently, often using it to bring off-scale salaries to the average of their comparison groups.
  - It was noted that salary scales have been discussed over many years. Reducing off-scale would require raising scales; off-scale is not applied through the normal merit review as scales are. Applying increases to only on-scale salaries produces differential effects on professors. For example, COLAs apply only to on-scale.
  - UC Health relies on total negotiated salary, so an increase in one portion does not necessarily increase total compensation

### **III. Consultation with Senate Leadership**

Academic Council Chair Cochran discussed President Drake's recent response to a September 2022 joint UCPB/UCFW faculty salary competitiveness letter. The increase for faculty will be applied in October, versus July for staff. Implications for summer budgets and retirement were raised, as well as the claim that applying increases to faculty salary earlier would present too many complications for finance systems to manage.

Chair Cochran noted the President's authority is only over on-scale wages. UC Path has addressed many problems and could likely manage a July faculty salary increase. The administration continues to misunderstand the problems caused by a later date. Additionally, OP has announced that following the conclusion to the graduate student strike, all academic employees will now receive salary increases in October. Chair Cochran suggested that UCPB consider writing another letter outlining specific challenges a later salary increase poses to faculty. Should negotiated salary conform to the regular salary timeline for faculty, that might allay some of the concerns expressed.

The January Regents meeting introduced a new principle when by allowing UCLA to move to the PAC-10 they required UCLA to provide resources for student athlete needs at Berkeley to mitigate any financial damage caused by the change in conference. Chair Cochran wondered whether use of this principle will be expanded in the future, e.g., requiring campuses whose programs financially harm other campuses to share profits, and under what circumstances. We can imagine online degree offerings on one campus creating a similar kind of harm to online degrees offered by other campuses.

The Provost's Office will present guidance for faculty facing auditing of grants following the student labor action. Senate leadership sought guidance on grading but found there were no centralized

plans. Most campuses left the response to faculty. Students and postdoc employees will be asked whether they worked during the strike. There will be complex follow-on issues surrounding work effort, fees and tuition, and employment percentages for graduate students.

Faculty are also advised to carefully respond to attestation forms about their work effort. Senate leadership has asked the administration to provide guidance.

Discussion included:

- Under what circumstances graduate teaching and research assistants can make up work, and under which they cannot and will have their pay docked.
- Concerns that docking student pay will lead to wildcat strikes, especially on campuses that voted against accepting the labor agreement, campuses with wage differentials for students, and among students who did not clearly understand that striking meant not receiving pay.
- A member of UCPB noted that strike guidance from Senate leadership was unique in providing actionable steps to faculty.
- Faculty were encouraged to communicate with their department chairs if they had not been able to complete work such as grading and supervision due to the strike, so they cannot be charged with withholding labor.

#### **IV. Consultation on Cost of Instruction**

UCPB received a briefing on the two methods to calculate the per-student cost of instruction. The per-student cost is used to project the amount required to fund the increased enrollment promised in the University's compact with the governor. The marginal cost of instruction addresses the incremental cost of instructing each additional student – this is a method negotiated with the state to determine how much of that cost should be addressed by the state, how much will be paid by the student in the form of tuition, and how much is the UC's obligation. Some costs are figured based on the average spent on "a student," such as IT costs, libraries, and offices.

The University calculates the number of new faculty needed based on a student faculty ratio of 18.6:1 per the current policy. The cost to add faculty is calculated as the average cost for new faculty hired over the past three years. The salary of new faculty so calculated is 20-22 percent lower than the average faculty salary. However, merit increases for new faculty combined with retirement of higher paid senior faculty should maintain the average cost. This is the method that the University and Legislature have negotiated.

The marginal cost calculation does not address necessary capital costs. Historically the UC has received capital via state issued GO bonds but in recent years the UC has financed its own capital. Including this would increase costs \$4000-6,000 per student. AVP Alcocer reminded UCPB that the marginal cost increase per student then becomes part of the base budget, subject to yearly increases. However, this method does ignore the cost of financial aid, as a portion of tuition is set aside to be returned to students. The total tuition received does not translate directly into revenue.

The marginal cost per student also blends a twelve percent doctoral student population with the undergraduate population. The marginal cost calculation yields an average of about \$10,000 per student in excess of tuition.

The methodology developed by the National Association of College and University Business Officers (NACUBO) was developed to address a biannual reporting requirement to the state finance office. The method considers total expenditures by universities. It was developed to address a federal requirement to report costs based on publicly available information.

- Neither method includes startup costs for new faculty, which can be substantial for STEM hires relative to salary. NACUBO counts some research costs that are excluded in marginal cost method.
- Chair Senear noted that the marginal cost has proven insufficient to maintain the 18.6:1 ratio since the current reality is near 24.5:1 so that appears that faculty is where Chancellors have chosen to cut back.

## **V. Budget Consultation with UCOP**

Deputy Director Virtanen noted that the University still expects the five percent base budget increase and non-resident student tuition buyout in the compact for next year. The Legislative Analyst's Office projects a \$25B budget "issue," which is less than the actual operating deficit expected. The University's budget already includes enrollment growth funding for 4700 students above the compact, but FTE enrollment stayed flat from last year leading to the possibility that the state could argue that funded growth has not happened. The UC argues that those dollars are needed for faculty and support staff infrastructure to accommodate that growth.

CFO Brostrom noted that one-time funding is the most likely target for legislative refusal. The UC will look at alternatives for capital funding. Revenue bonds and borrowing from the state investment pool are possibilities. The UC holds growing capital, much restricted, yet claims growing debt. The University may look for ways to repurpose restricted money but that raises political concerns.

The State Governmental Relations Office is again concerned about SB27, identical to a previous bill, SB 13664, which will impose conditions on the University for hiring vendors. The conditions impose a large burden on vendors for twice-yearly reporting and allow any individual to demand their records at any time. The University believes this will terminally damage its ability to use small business/minority-owned businesses with which it currently contracts. The UC is auditing contracts to be sure they comply with current Regents' policies on contracting. The administration hopes a clean April 15, 2023 report will hopefully diminish pressure for the bill's passage.

- Discussion included questions about how students can afford University-owned housing if even below market-rate rents greatly exceed salary levels.
- CFO Brostrom noted that rent increases in University-owned housing are an attempt to rationalize costs of newer housing and there is no prohibition on buying down rent from other

sources, but general buy-downs are inefficient. Rent subsidies would be more rational. The UC operates housing on a cost-plus basis, no profit.

- Chair Senear asked CFO Brostrom for a follow up meeting on medical centers as revenue sources, as the extent to which they fund campuses is unclear. After robust discussion, UCPB plans to continue the discussion and seek OP consultation.
- Discussion ensued about Merced and Santa Cruz becoming AES campuses, with a small amount of one-time funding which will become part of the annual set-aside. One question concerned the amount of UC research that is ANR-related, versus other areas. To what degree does the University evaluate the size of the ANR enterprise? It is not yet clear what impact the ongoing set-aside will have on this question.

## **VII. Proposed Self-Supporting Degree for Review: UC Davis Master of Management**

Professor Brewer volunteered to review the proposal.

## **VI. Campus Updates/TFIR Report**

**TFIR:** Chair Brownstone reported that TFIR had three requests of Vice Provost Haynes: to change the retirement plan default to Savings Choice for new hires; a new total remuneration and experience study, performed by an outside consultant; and a comprehensive benefits survey of employees and perhaps retirees. The last would ideally be a panel study, rather than a cross-section, to show changes over time. The University has many faculty with the skills to do the last. A new law would allow the University to contribute to a Roth IRA for highly compensated individuals. In addition, an employee can now match an employee's payment on student loan debt to substitute for their voluntary contribution to an employer's 401K/403B plan. TFIR will discuss the implications of this change in future meetings. He indicated that there are Regents who would like to increase employee contributions to the pension to the State-allowed level of half of the normal cost. TFIR has asked for data for average length of employment for everyone at the UC. The Retirement Administrative Services Center has improved in some areas but continues to experience severe problems with retiree health care and survivors' benefits.

**Berkeley:** The new provost heads a committee trying to simplify campus bureaucracy. The current burden of meetings and paperwork for staff is quite high. The group has two months to provide short term recommendations then will recommend long term suggestions in three to five months. Budget finance reform was begun but never implemented due to concerns expressed by deans. Stakeholders want a simpler, clearer, and more fair way of allocating funds across campus. Whether or not this budget reform will apply only to the central budget is an open question. There is senate involvement in the effort, but it remains primarily administration led. The committee wants a clear understanding of the budgeting system. The next task facing the campus is how to deal with new costs from the strike resolution.

**Davis:** The budget framework advisory committee has started to meet to advise the provost and budget administrators. Senate input is provided by the Chair of the Senate Budget and Planning Committee. The advisory committee fosters a generally good relationship between the

administration and campus senate. The campus still faces a core funds deficit. Last year the budget committee reviewed cost savings measures and provided feedback. Their work on budget review process has been helpful to the provost. Faculty Executive Committee chairs and CPB will participate in a retreat for budget review.

**Irvine:** The CPB has focused on increasing their planning role on campus to convince the provost of the utility of their input. A budget workgroup will begin meeting with the provost in January. The senate has tasked them with recommendations for strategic cuts going forward. The committee does not have access to deans' budgets, which limits their analysis. Graduate students on campus seem unprepared for the impacts of the strike resolution. A budget subcommittee has formed to model impacts of the graduate student labor settlement.

**Los Angeles:** The interim Vice Chancellor for planning and budget hopes to be more involved with budget processes. A bureaucracy reduction working group has been revitalized. The campus needs business system modernization to address a technologic debt of inefficient antiquated systems. The campus faces decisions about funding new initiatives such as the California Institute for Immunology and Immunotherapy.

**Merced:** The campus has ongoing discussions about starting a fourth school, pre-proposed as the Gallo School of Management. The pre-proposal has not received much campus support. A faculty-administration retreat with facilitation is planned to address concerns over the proposed school. There is not enough money to repay faculty for increased GSR spending. In addition, the TA budget is not going to be increased so fewer TAs will be hired.

**Riverside:** The campus is planning a graduate student hiring plan. A questionnaire about needs for graduate student employees has been circulated. The new provost implemented a matrix of agreed-on aspirations without details about where resources will be deployed. The budget pushes all money to colleges and schools and does not retain funds for the provost Investment Fund. The budget committee is concerned that \$47M earmarked for climate needs has been assigned to capital. The climate initiative has provided money but the senate has had no input into plans for the funds, only subsequent consultation, post-decision.

**San Diego:** Ongoing issues have led to increased senate involvement in the budget process: a surprise announcement of a graduate funding model with the goal to cut the costs of PhD programs generally on campus; a surprise rent hike for graduate student housing; the Oracle software problems leading to "astronomical" staff attrition and issues such as missing paychecks. The software was implemented without faculty involvement despite them having expertise in software, financial accounting, and acquisitions. After intensely negative responses to the increase in rents for on-campus graduate housing, the administration would like senate input. The campus administration is primarily made up of individuals who are not products of the UC system and tends to approach campus issues from a corporate mindset. Many Regents admire their entrepreneurial bent.

**San Francisco:** The budget committee has been working to reveal how the new graduate student labor agreement will affect individual faculty. A major focus is on how costs will be absorbed as most

faculty are self-funding through grants. Faculty are concerned that they will individually bear the costs. Salary equity issues are the subject of ongoing discussion. Endowed chairships are primarily held by male faculty. The central development office claims that not all endowed chairs are restricted; departments maintain that they are.

**Santa Barbara:** The campus faces a 3500 bed housing shortfall. A task force report recommending changes to the proposed Munger Hall was released just before break. The CPB is engaging in fall planning and is very active in FTE planning and evaluating faculty hiring, but less in budget planning. Even though most money goes to salaries, the committee would like to provide input.

**Santa Cruz:** Some graduate students voted against the labor deal, perhaps to hold onto the momentum of a well-supported strike to negotiate for a better deal. The campus is grappling with immediate issues such as grading and accounting for work product during the strike, and faculty fears negative outcomes. The strike has implications for the upcoming year as the EVC has committed to not lowering the number of TAs, but will not allocate additional funds, so admissions modeling is different. CPB is involved in the current faculty recruitment authorization process. They are also reviewing the new academic resources model; some departments may have to freeze admissions, and there may be some that are less dependent on TAs. Pre-tenure faculty are more likely to feel negative impacts. TAs will move to masters and undergraduate students.

**Graduate Student representative:** Even though San Diego voted to ratify, dissent remains. The contract feels unfair to some students in some departments. There is no student discussion of graduate student enrollment and admission numbers reducing because of the strike. Some graduate workers were paid despite striking and were supposed to return those wages, but most do not plan to do so. They appear to believe there will be no garnishment of wages so a February garnishment will come as a surprise. There is a lack of awareness of implications following on the labor agreement.

## **VIII. New Business**

Professors Auffhammer, Mitchell, and Atkinson offered to form a subgroup to develop a set of questions about the effects of the labor agreement on graduate student hiring steps, appointment times, short- and long-term impacts on student numbers and student-faculty ratios to Senate Leadership and request that they requisition appropriate data from UC Path.

Chair Senear asked each member to write up their local committee's actual involvement in planning and budget on their campuses to share, to create a best-practices document.

Attest: Donald Senear, Chair  
Prepared by Stefani Leto, Analyst  
The meeting ended at 3:48