

Minutes of Meeting

October 3, 2023

In attendance Don Senear, Chair, Tim Groeling, Vice Chair, Robert Brosnan (Davis), Georges van den Abbeele (Irvine), Michael Emmerich (Los Angeles), Kevin Mitchell (Merced), Bronwyn Leebaw (Riverside, alternate), Jill Hollenbach (San Francisco, Chair, TFIR), Raphael Kudela (Santa Cruz), Jun Jang (student representative), Jim Steintrager (Chair, Academic Council), Steven W. Cheung (Vice Chair Academic Council), Nathan Brostrom (Executive Vice President), Cain Diaz (Interim Associate Vice President, Budget Analysis & Planning), Seija Virtanen (Associate Director, State Budget Relations), Alyssa Brewer (Professor, Irvine), Stefani Leto (Analyst)

I. Consent Calendar

UCPB approved the October 3, 2023 agenda and the 2022-23 Annual Report

II. Introductions and Chair's Announcements

Chair Senear provided an overview of the business of UCPB, its pace and workload. The committee focuses on five main areas:

1. Consultation with Senate and OP leadership for subjects including relevant discussions at Regent's meetings and with President Drake on topics such as total remuneration, UCRP, transfer & admissions policies and online instructions & degrees and funds flows between medical centers and health sciences on campuses. OP budget consultation including the CFO, Budget Director, and Budget Officer for State Governmental Relations provides the opportunity to discuss and potentially influence the systemwide budget plan, allocation of state general funds to the campuses and earmarks, capital needs, management of investment funds and pending legislation.
2. Deeper investigation and analysis of one or two issues – examples are the rebenching report 2022, the Faculty Hiring Report of 2022, the Best Practices Report of 2023.
3. Participation in Senate and other boards and councils such as TFIR, the Health Care Task Force, ASCOLI, ASCOTI, and APC, along with two joint Senate-Administration Workgroups, one on the future of UC Doctoral programs and one on faculty workload balance and recovery, post-pandemic;
4. Reviews of new programs, policies, and SSGPDPs (advisory to CCGA)
5. Meeting reports – members report on activities of their divisional CPBs – major issues and issues appropriate to bring to UCPB.

III. Senate Leadership Consultation

Academic Council Chair Jim Steintrager updated UCPB on the Regents retreat, the August Special Committee on Research Transfer and Innovation meeting, and the September Regents meeting.

The Regents retreat included a panel on fully online undergraduate degrees. Regents in favor of online degrees have shifted from equity and access issues to space constraints and revenue generation. However, one constraint not addressed is faculty numbers. Maintaining UC quality and the costs associated remain under discussion.

The patent tracking system has been improved, as well as increased proof of concept funding on campuses needing increases. Questions about funding sources for this purpose remain, and there is a President's Special Council on Entrepreneurship addressing the question.

A report to the Investments Committee at the September Regents meeting included the idea of increasing employee contributions to UCRP, the status of the RFP for the Total Remuneration Study, the increasing cost of health benefits. The "holiday" from retirement contributions remains a rationale when increased employee contributions to UCRP, but should these increases not be imposed, the historical argument based on the holiday should likely fade.

Transfer issues remain ongoing with the legislature reaching into the subject. AB1291, mandating that the UC offer a transfer guarantee to community college graduates who earned the same ADT degree as for CSU was defeated but a pilot program at UCLA was put in place. Proponents hope that this will increase access to UCLA for students from lesser-represented community colleges.

- UCPB members asked about studies comparing quality of fully online degrees with on-ground degrees. Retention rates (including students who accrue significant debt without graduating) are poor. Proponents of online degrees promise that the University will create more successful, higher quality online degree programs.
- A contradiction appears between viewing online degrees as a potential source of revenue and the goal of debt-free university. The Senate suggests approaching online degrees experimentally, granting variances to the Senate regulation that prevents them, with a review in approximately five years. Concerns remain that negative findings would not derail the drive to make them universal.
- A question about how online courses have been tracked and studied revealed that divisions vary in their data collection about them.
- Increased health benefit costs present additional burdens to PIs running labs with graduate student employees. UCPB can provide information to respond to any push to increase employee contributions to UCRP via a letter similar to the 2023 joint letter with UCFW regarding faculty salaries.
- A question of whether all community colleges should focus equally on preparing students for transfer to UC was discussed.

IV. UCPB Priorities

Major issues facing UCPB this year include:

1. Doctoral funding and meeting the cost of new contracts. The \$410M assumptions are built on existing distributions of doctoral students among pay steps. Incoming doctoral students appointed at lower steps might mitigate costs slightly. CFO Brostrom has opined that the

- campuses may grow out of the immediate fiscal impact over time.
2. Campus approaches to doctoral student funding and the need to supplement grants paying for GSRs, especially as PIs hire fewer graduate students in favor of post-doc research assistants. Members to track efforts on their own campuses.
 3. Faculty hiring and the shortfall of ladder-rank faculty as well as the disproportionate increase in staff numbers. UCPB hopes to follow up on last year's UCPB hiring report and identify the staff classes driving the percentage increase. Much of the increase may reflect growth of UC Health and the med centers. Another possibility is that increasing regulatory burdens have driven some staff increases.
 4. The Budget Allocation Model (formerly rebenching) changes. These include changes in weights to provide additional funding for undergraduate (UG) students from LCFF+ high schools to address associated with additional support less well prepared students as they begin studying at the University, and in the weight for health sciences professional doctoral students other than med students. Enrollment-based funding changed from budgeted to actual UG enrollment, with proposed "true-ups" as needed. Campus commitments for additional UG enrollment to meet the Governor's compact are included in actual enrollment.
 5. UC Health and funds flows between the medical centers and main campuses. UC Health claims to provide about \$2.3B in support of the campuses, though about \$1.4B of this is for purchase of goods and services for the med centers. UCPB hopes to meet again with Todd Hjorth, Budget Director for UC Health, to obtain a more detailed accounting of funds transfers. It is unclear how salaries are divided between academics teaching on campus versus those providing clinical services. Complicating the issue is that OP provides three different funding models for the medical schools – enrollment based for Irvine, San Diego, and Los Angeles, earmarks for Riverside (which does not have an attached medical center) the UCSF/Fresno campus, as well as a planned medical school at Merced, and an algorithmic corridor to define changes to historical funding for San Francisco. UCPB wonders about the role and responsibility of UC Health to help pay for additional medical schools as well as the UC Health enterprise at large. There is no central budgetary control over UC Health as it is distributed among campuses with varying models.

V. Budget Consultation with UCOP

Seija Virtanen, Associate Director, State Governmental Relations, noted that the University received a 5% base budget increase when many other State institutions received cuts. In addition, the University received funding to service UC borrowing in lieu of previous one-time state allocations that were recalled. The state anticipates a revenue shortfall of \$15B in next year's state budget. However, the Governor seems committed to another five percent base budget increase for the UC for what will be year three of the compact. Requirements to receive compact money, such as a one percent increase in undergraduate enrollment, continue.

The UCLA Institute for Immunology and Immunotherapy received a second \$100M installment of the proposed \$200M for it. Budget trailer bills (policy bills moved through the budget committee) included changes so that any emergency aid a student receives will not be offset by a decrease in their middle-class scholarship. Starting next year, internal scholarships will not be offset by a reduction in financial aid. Student Housing Project funding changed.

The Managed Care Organized Tax Extension includes \$75M of new funding for medical residents, and \$150M for public hospitals for Covid-19 related losses. Additionally, the University received an extension to temporary medical licenses to students needing renewals.

There were about 2900 bills with a significant impact on the University. One proposal that would have imposed State labor laws on all UC employees, without an exemption for academic employees was defeated, but reintroduced the next day in another bill. In all, three bills with the identical language have been proposed. Attempts to impose specific labor practices on the UC is expected to continue through next year.

AB 656 is pending the Governor's signature. This will allow the CSU to offer PhDs which do not overlap with UC degree programs. SB799, which would have provided unemployment benefits to striking employees was vetoed. The University believes the Governor will also veto other labor-related bills. Great effort was expended working on a transfer bill with Assemblymember McCarty, resulting in AB1291, which mandates a pilot program for an ADT at UCLA.

CFO Brostrom provided an overview of the UC budget, including sources of funding. The University's budget relationship with the state is, historically speaking, in a very good place. Cohort tuition has provided benefits to students and the University. However, most campuses are in a structural deficit as 70 percent of costs are in personnel costs, not matched by revenue growth. One response by the University is leveraging non-core revenues to meet rising costs. The UC is working hard to optimize capital through TRIP and the Blue and Gold Fund, an endowment vehicle. Since their formation, TRIP has averaged five percent more than STIP; the Blue and Gold Fund seven percent more. Increased investment earnings provide discretionary funds for Chancellors to use on campuses. Instead of raising the employer contribution beyond the current 14 percent, we have been borrowing from STIP to arbitrage such that earnings stay in the pension. The pension funding level is 82 percent and has remained stable on an actuarial basis (5 year smoothing) for several years.

Cain Diaz, Interim Associate Vice President, Budget Analysis & Planning, explained state funding campus allocation. The first portion is for the University to service debt, allowing the University to realize savings through self-funding. Capital projects are funded through the next portion, including UC Merced and other projects. This year, additional money was provided to pay for some capital separately from general funds. Systemwide programs and projects funded through general funds, referred to as "earmarks," are the last of the non-enrollment-based funding. The remaining funding is allocated to campuses through the Budget Allocation Model, which includes separate "corridors" for Merced and San Francisco. That funding fulfill the principle that each campus should receive the same amount of state funding per student, weighted by level (grad vs UG) and type (e.g., academic vs professional). Per-student weights have changed slightly from previous years, reducing the weight for non-medical health sciences students. Once the weighted funding for students was imposed, campuses then received the same per-student amount. Reductions in state funding were met with increases in tuition, however, increases were not enough to make up for decreases in state funding. Funding sources have changed from roughly 80 percent state funding for core funding per student, to

closer to a 50/50 split. Increases in student numbers have led to a per-student funding decline. The UC attempts to make up for it through philanthropy and investments, but effects such as increasing student-faculty ratios and deferred capital maintenance are felt on campuses. As state funds declined, Cal Grants did increase.

- A planned increase in employer contribution could be matched with increased STIP funding to fully fund the pension by 2045. The employee contribution does not affect pension funding stability. Some Regents want the normal cost to be shared equally between employer and employees. The normal cost has increased significantly due in large part to the Regents' decision to lower the discount rate and also partly due to increased longevity. Employees now pay less than 40 percent. Some Regents would like to return to a 50/50 split.
- An increase in employee contribution would affect PIs, rather than campus debt service for STIP borrowing. However, the debt service is much lower than the effect of increased employee contribution would be. The 30-year average is still much higher than the discount rate. Currently the pension could fund the next 70 years.
- UCPB raised the question of effects of funding for campuses with medical schools versus those without, excepting Merced, Riverside, and San Francisco. Santa Cruz, Santa Barbara, and Berkeley do not have medical schools. Campuses with varied medical-adjacent enrollment will receive less weighted per-student funding for them but increases in LCFF+ students will keep their per-student money roughly the same.
- Student-weighted funds are tracked on campus by some reporting done directly to the legislature, some internal. It remains somewhat imperfect, and tracking all earmark dollars is a challenge. In addition, some functional effects, such as closing graduation gaps, help support accountability for funding. Some programs that have more funds available than their earmarked funding can allocate extra funding away from them while still using the allocated funds for their stated purpose.

VI. Proposals and Policies for Review

1. UCLA Master of Real Estate Development
2. Proposed Academic Personnel Manual (APM) Section 672, Negotiated Salary Program - Comments due December 6, 2023

Action: Professor Mitchell will review the UCLA Master's program proposal and present a review at the next UCPB meeting. Professor Senear will lead discussion of APM 672 at the next UCPB meeting.

VII. Best Practices Report

Professor Alyssa Brewer, UC Irvine, presented the report based on last year's discussions of the interactions of campus administrations and budget committees. The report collates these experiences and makes recommendations for improved interaction between administrations and Senate budget committees.

A key finding is that involving CPBs in budget discussions early both makes use of their budget and planning expertise, shares responsibility for any budget changes, and disseminate information widely across campus.

Goals include better information sharing across campuses including ways to get information from individual units as well as the administration. CPB's level of oversight varies especially for individual unit reviews. Direct conversations between CPBs and deans would facilitate planning. Including CPB representation in long term planning projects would enhance collaboration and faculty understanding and buy-in of such plans.

Maintaining this level of involvement requires training for incoming CPB members. The plan requires disseminating information from CPBs broadly to individual faculty members. Faculty are often pressed by other concerns and not proactively searching out budget information. Ways to provide regular budget/planning updates to assembly meetings, or visit individual units, can counter rumor-based budget sharing.

Recommendations were based on Davis' plan. The entire CPB participates in an administrative retreat, along with FECs. A cultural change will have to take place on other campuses to reduce the adversarial stance between the CPBs and the administration, which will also reduce negative responses to budget issues seen as administration-owned choices. This early involvement will also assist CPBs in reviews of programs and plans.

UCPB members were asked to provide illustrative examples from their campuses to add to the report. Ideas for establishing best practices on campuses were also solicited.

- A question about what kind of training is provided for incoming CPB members elicited ideas such as formal meetings between outgoing and incoming chairs, a selection of reports designed to provide information for incoming members, and any method to formalize institutional knowledge transfer.
- FEC's being involved in budget and academic planning in their units is a key element of this approach. Willingness of faculty members to serve in high-commitment roles can be limited.
- Professor Brewer asked for any suggestions of changes to the report, especially to the accuracy of the situation on each campus. The report was well-received by the current UCPB and they plan to use it to inspire changes on their own campuses.
- Questions about approaching highly confidential information and who gets to hear it were raised. Guaranteeing confidentiality is a key way to improve relationships with administrators and can facilitate early sharing of issues and plans. Informal discussions can be an area in which confidentiality is respected, raising administrator's trust in CPBs. Employing the workshop and retreat ideas can also be good ways to build relationships with administration. Informal one on one meetings with CPB chairs and administrators may be framed to discover approaches that would work for sharing with a wider committee.
- An analogy to the issue of confidentiality might be CAPs, as they deal with administrators and maintain confidentiality.
- Faculty input is a valuable resource for administrators and highlighting its value can enhance the possibility of instituting these proposed changes.

VIII. Campus Reports

UC Irvine's priorities include implementing the proposals of the Best Practices Report, graduate funding considering the new labor agreement and many departments' plans to reduce graduate enrollment to the degree that it might negatively impact the AAU standing of the campus and the slippery slope seen in replacement of ladder-rank faculty by teaching professors and lecturers for both.

UC Los Angeles continues to deal with implementing the new Oracle financial management system and CPB is monitoring negative impacts and costs. In addition, CPB is tracking the implementation of a new budget model designed to increase funding to core function departments and divisions. Procurement has been problematic on campus with vendors declining to work with UCLA based on high procedural costs and extremely slow invoice payment. The Senate hopes to expand the CPBs oversight role for the budget and has for the first time obtained access to some portions of the budget. Effects of the new graduate student contracts remain of interest to the Senate. Purchases of real estate and the process for them will be followed closely. CPB will work to implement the best practices shared out.

UC Merced is caught between the rising costs of represented graduate students and enrollment growth. Student numbers must increase to support the budget, but both freshman and transfer enrollment has not kept pace to make the campus self-sustaining at the end of corridor funding. No new faculty can be hired without sufficient student body growth. Retention for freshmen and sophomores needs to improve as part of enrollment growth. Part of the problem impacting enrollment is a restricted list of majors; the campus plans to increase the number of major it offers but doing so without hiring faculty to make that possible remains difficult. Strategic hiring is part of the plan. The Chancellor would like to add a fourth School and the proposed Gallo School of Management continues to be controversial on campus. The Senate has attempted to engage both supporters and detractors of the proposed School, which has been strengthened through the process.

UC Santa Cruz has unveiled a new strategic plan focusing on student success. Divisional Allocation Models have changed from a "strong Dean" to a "strong central" format, lessening Dean's autonomy by removing discretionary funding. CPB consultation has been limited to being presented with the proposed budget. The research enterprise will be affected in some way but those plans have not been shared with the CPB. No consultation has taken place for other budget components such as the business side of campus.

Prepared by Stefani Leto, Analyst
Attest, Donald Senear, Chair
The meeting ended at 4:04 p.m.