

UNIVERSITY OF CALIFORNIA **ACADEMIC SENATE**
UNIVERSITY COMMITTEE ON PLANNING AND BUDGET

Minutes of Meeting
November 5, 2019

I. Consent Calendar

- Approval of UCPB November 5, 2019 agenda
- Approval of UCPB October 1, 2019 minutes

ACTION: UCPB approved the consent calendar.

II. Announcements

- *Sean Malloy, UCPB Chair*
- *Bruce Schumm, UCPB Vice Chair*

UCRP Contributions: In early October, Chair Malloy and several TFIR members met with UCOP to review the draft November Regents item proposal to increase employee contributions to UCRP, and preliminary models for the increase, which is intended to help cover the growth in the UCRP normal cost resulting from changes following the recent experience study. Chair Malloy also invited UCPB over email to endorse a UCFW letter opposing employee contribution increases. UCPB members made several clarifying suggestions for the letter; however, the points were not incorporated due to time constraints, and Academic Council ultimately [endorsed](#) a UCFW-only letter. The letter noted that increasing employee contributions beyond the approved 3% employer increase does not have a strong financial justification and would burden lower-paid employees. It urged UC to consider other alternatives, including borrowing, before employee increases; and emphasized the effect of an employee increase on non-represented staff and the need for the State to reinstate support for UCRP.

The final Regents item recommended a 1% increase in employee contributions implemented in 0.25% increments over four years, beginning in July 2022 to coincide with the expiration of several union contracts. The recommended plan also protects lower paid employees by limiting the increase to covered earnings on half of the indexed PEPPA cap (currently \$62,000). The item also offers three alternatives, two of which exclude exemptions for lower paid employees, and a third that takes no action on employee contributions. Finally, the item recommends a full experience study of UCRP's economic and demographic assumptions every three years. A graph included in the item suggests that no alternative involving employee increases would make an appreciative difference to the funded ratio.

ACSCOLI meeting: Vice Chair Schumm represents UCPB on the Academic Council Special Committee on Laboratory Issues, which provides Senate oversight of UC's relationship with three national labs. At its October meeting, ACSCOLI met with the UC Office of National Laboratories (ONL) to discuss the current research foci of the labs, initiatives funded through the Laboratory Fees Research Program, and ONL's possible expansion into labs based in other states. UC is one year into the "Triad" relationship with Texas A&M and Batelle that oversees LANL, and the Triad management team has so far generated a favorable impression. In general, the labs are doing quite well, with budgets expanding, and LBNL considered by many to be the crown jewel in the National Laboratory system. Other discussion items included joint appointments between the labs and campuses, and strategies for maintaining UC's dominant role in lab oversight.

III. Consultation with Academic Senate Leadership

- *Kum-Kum Bhavnani, Academic Senate Chair*
- *Mary Gauvain, Academic Senate Vice Chair*

Presidential Search: The systemwide Senate is finalizing the roster for the Academic Advisory Committee (AAC) that will advise the Regents Special Committee on the presidential search. The Academic Council has provided input into the general search process and on the qualities and qualifications for the UC President. On November 6, the Special Committee will host a “Stakeholders Day” at UCLA to confer on the search criteria with a variety of groups, including the AAC.

Work Group on Comprehensive Access: The Regents’ Work Group on Comprehensive Access, chaired by UCI Chancellor Gillman, and including Senate Chair Bhavnani and former Senate Chair May, will consider principles for potential affiliations between UC academic health systems and external health systems to ensure that UC values are upheld.

Admissions Audit: In the wake of the national “varsity blues” SAT cheating scandal, the California State Auditor has initiated an audit of UC’s undergraduate admissions processes, initially at UCB, UCLA, and UCSD, to ensure that UC has appropriate controls in place.

Cohort Tuition: The November Regents agenda will include a discussion item on cohort-based tuition, with an action item on a specific plan to follow in January. UCOP has instructed the campuses to begin preparing for a possible fall 2020 implementation of cohort tuition.

UCM Chancellor Search: Chair Bhavnani is a member of the search committee advising the President on the selection of the new UC Merced chancellor. The search committee includes five faculty members who will as a subcommittee evaluate nominees and applicants and submit names of recommended candidates to the full committee.

Task Forces: Chair Bhavnani has asked the Senate Standardized Testing Task Force to accelerate its review of the role and value of standardized tests in UC admissions and deliver preliminary recommendations in early 2020. Chair Bhavnani co-chairs the joint Task Force on Faculty Disciplinary Standards that will develop consistent guidelines for chancellors to use when assigning discipline to faculty for conduct violations. She is also assembling Senate Task Forces on Faculty Diversity and Online Degrees.

Fossil Fuel Divestment: Following the Academic Senate Memorial to the Regents, the University announced in September that it would gradually divest its endowment funds from fossil fuel investments.

IV. Consultation with UCOP

- *David Alcocer, Associate Vice President, Budget Analysis and Planning*
- *Paul Jenny, Interim Chief Financial Officer*

2020-21 Budget Plan: In November, UCOP will ask the Regents to approve a 2020-21 Budget Plan for the University’s revenue and expenditure priorities. The revenue plan includes three internal approaches: 1) continue asset management strategies such as shifting working capital from STIP to higher yield pools; 2) increase philanthropy; and 3) generate savings through additional procurement. The plan also requests \$404 million in ongoing State support to sustain core operations, fund high priority investments, and avoid a tuition increase. Specifically, it requests a permanent base budget adjustment of \$278 million (or 7.1%), including \$35 million to

restore a portion of the \$95 million in one-time funds provided in 2018 but discontinued in 2019; funding to restore marginal cost shortfalls from prior years for current enrollment; and to increase CA undergraduate enrollment and graduate student enrollment; support competitive faculty and staff salaries, and address cost increases for utilities, libraries, and other non-personnel costs. The plan also requests \$60 million to support the multi-year framework goals of improving time-to-degree and eliminating achievement gaps; \$25 million to establish sustainable support for the UCR School of Medicine; and \$5 million to support student mental health on all campuses. The plan will allow UC to speak with one voice to the Governor as he prepares his January budget proposal.

- UCPB members asked if the budget plan would help the University address campus deficits; if UCOP would encourage the State to restart contributions to UCRP; and if UCOP expected the State to end its direct appropriation of the UCOP budget.
- AVP Alcocer noted that the plan envisions a more sustainable partnership with the State that closes the budget gap over time, and that UCOP has asked each campus to prepare a financial presentation to help the Regents understand their budget challenges. He noted that the State has expressed a willingness to revisit the marginal cost formula (currently about \$10k per student.) The University has secured one-time Proposition 2 funding for UCRP in the past, and believes the State would be open to discussing a restart of regular State contributions. The Governor does not have a strong position on the UCOP line item, but he wants to be sure the Legislature supports a return to a single appropriation.

Capital Issues: Interim CFO Jenny noted that as part of the push for a General Obligation bond, each campus identified their three highest priority capital projects related to seismic needs, deferred maintenance, or capacity. Now that the bond has been approved for the March 2020 ballot, UCOP has asked campuses to identify their top priority, along with as opportunities for leveraging a given investment of bond proceeds with additional campus or philanthropic funds. UCOP is reviewing the full list of proposed projects. UCOP understands that campus needs vary, but believes that every campus should be represented on the bond. It plans to send a final list of projects to the Regents in January.

Asset Optimization: As one of its asset optimization strategies, UCOP created the Blue and Gold Investment Pool to maximize returns on working capital not needed for 3-5 years. Like STIP and TRIP, Blue and Gold is an investment vehicle for campus working capital, but with a higher return (and higher risk) than TRIP.

V. UC Path and Composite Benefit Rates

- Mark Cianca, Associate Vice President, Operational Services
- Peggy Arrivas, Associate Vice President and Systemwide Controller
- Dan Russi, Executive Director, UC Path Center
- Shondella Reed, Senior Counsel, Labor and Employment

Senior UC leaders were invited to provide perspectives about several issues identified by UCPB members concerning Composite Benefit Rates and UC Path.

1. UC Path and collection of Composite Benefit Rates (CBRs)

CBRs are an accounting mechanism being implemented with UC Path that simplify accounting by pooling multiple benefit costs to create an average rate at which the cost for a given employee group is charged to a funding source. UCPB members noted that CBRs have been implemented incorrectly in some departments, charging benefit costs to existing faculty grants at a higher rate

than had been approved under the original grant budget. The average over-collection in one department was 11%, which amounted to \$2 million over 18 months. The error was not announced to affected faculty and data about actuals paid was not available.

AVP Arrivas noted that it would have been too costly to duplicate non-standard benefit cost programming from the old PPS system into UC Path. UCOP produced transition guidelines that asked campuses to hold faculty harmless in instances of cost increases. Affected faculty should compare their year-over-year pre-CBR and post-CBR charges and ask their budget office to address any differences. UC Path is now producing monthly reports on CBRs, and estimates are becoming more accurate each year. She invited UCPB members to forward specific example cases to help the University develop solutions.

2. CBR issues for UC employees working internationally

AVP Arrivas noted that UCOP developed a workaround procedure for employees working outside the U.S. whose grant may be charged a CBR rate but who also must purchase international insurance. For those employees, campuses are authorized to provide a fixed, taxable stipend for the purchase of individual health insurance that is reimbursed from the CBR pool.

3. Senate Bill 698 and Graduate Student Pay Problems

Senior Counsel Reed noted that delayed payments to graduate student employees during the conversion to UC Path inspired the UAW to sponsor SB 698, which amended the labor code to require UC to issue paychecks to employees on a timely basis or be subject to penalties. UC employees not paid on time are also now eligible for damages. Executive Director Russi noted that UC Path has several mechanisms to send money to claimants quickly. These include issuing pay cards that provide employees with instant access to at least 70% of their last paycheck; issuing a full off-cycle check, which takes an average of four days from receipt of the request to deposit; and authorizing campus controllers to cut checks from accounts payable. Students are at the top of the priority list for all requests.

Executive Director Russi noted that payroll accuracy has improved from a year ago. UC Path has corrected 13 systemic defects related to the complexities of graduate student pay, including a policy change related to FICA deductions. A systemwide Student Pay Workgroup has also been developing more permanent solutions. One of their recommendations is to move all student employees to a uniform pay cycle. UC Path meets with campuses every week to discuss metrics.

4. Communication between UC Path and campus/UCOP staff and administrators

UCPB members noted concerns about a lack of effective communication from UCPath about problems, as well as inconsistent messages from UC Path and campuses. AVP Cianca and ED Russi noted that UC Path has experienced significant challenges with both technical and business process stabilization. Business stabilization has been more difficult than expected due to the data conversion of complicated pay statuses and because Path did not anticipate how difficult it would be for campuses to change local processes. UCPath is working hard to fix problems and to improve communication. During stabilization, Path conducts “stand-ups” with campuses twice weekly to ensure issues are identified and resolved quickly and to share experiential information. As Path finalizes deployments, it is working to increase efficiencies that reduce end-to-end cycle time; to clearly delineate campus and Path responsibilities; and to develop best practices for interacting effectively with campuses. Path has hired operational liaisons assigned to work with each campus to identify problems and improvements and address recurring problems. UC Path is also hiring more staff and recently added a late shift to enable 24-hour payroll processing. It is

working hard to ensure staff provide consistent and effective advice to clients. It is also working more closely with the systemwide Centers of Excellence (COEs) – the organizations and people that drive HR policy and regulations.

- UCPB members acknowledged that the current Path leadership inherited an engineering, organizational, and public relations problem; but expressed concern that the problems were lingering too long into implementation. Members noted that the problems are partially organizational as the University did not allocate sufficient resources and training to campuses to ensure an effective transition. UCPB also expressed interest in learning more about the campus liaisons, and noted that the burden of implementation falls heavily on staff.

VI. Campus Reports

UCD is projecting a \$17-20 million budget deficit next year; however, given that the deficit represents only 2% of the total campus budget, CPB believes it may not be cause for alarm. UCM is running a \$7 million (2%) deficit, which is a greater concern to that campus, given its low enrollment growth and budget that depends heavily on enrollment. UCM is freezing faculty hiring, and the interim chancellor is looking for opportunities to improve funding streams. UCSD is also projecting a deficit, which in part reflects capital investments in housing that are not yet yielding returns, and UCSD expects to balance the deficit in two years.

The UCLA administration has asked CBP to review a new budget model it is considering for the campus. Meanwhile, the UCR CPB is working with its budget office on a replacement for the Responsibility Center Management (RCM) model, a method of internal budgeting that devolves budget decision-making responsibility to individual departments that was implemented at UCR without Senate consultation. The RCM has had the unintended consequence of incentivizing the creation of new undergraduate majors and disincentivizing PhD enrollments.

Last year, the UCSC CPB interviewed campus units about their budget processes, and is now soliciting ideas about how to improve campus financial management practices. UCB faculty were asked to shoulder an extra course accommodation burden following a week in which campus power was cut off twice as part of wildfire mitigation. The campus is also searching for a new vice chancellor for finance, and considering how to improve the planning and approval process for new buildings and for addressing deferred maintenance. The UCSB CPB is discussing the campus's deferred maintenance needs, which far exceed any projected funding. UCSF is preparing for a \$1.5 billion rebuild of the original Parnassus campus, but will need to first renegotiate a decades old space ceiling imposed on the campus.

In recent years, the UCI CPB has spent much time reviewing self-supporting programs; now there are concerns about the extent to which those programs are paying for themselves. UCI is moving to an incremental budgeting model that allocates new money to units on a workload basis. The campus has reached capacity and will not grow in the foreseeable future.

The Graduate Student Representative noted that the Graduate Student Association would welcome more consultation with students during UC budget talks. The Undergraduate Representative noted that many students oppose cohort tuition because it could limit their ability to prevent future tuition increases automatically tied to the CPI. Students also note that the actual increase for each incoming cohort is unknown; that unpredictable State funding makes cohort tuition risky, and that a cohort model would establish inequities across enrolled classes.

VII. Climate Change Principles and Recommendations

- **Andrew Baird, UCORP Chair**
- **Matthew St. Clair, Director of Sustainability**
- **Roger Bales, UC Merced Professor of Engineering and Senate representatives to the UC Global Climate Leadership Council (GCLC)**

UCPB reviewed a set of recommendations proposed by UCORP to guide UC's response to the climate change challenge. UCORP Chair Baird noted that the Senate has not taken a formal position on climate change. The principles ask the Senate to support UC's lead in working towards carbon neutrality and de-carbonization and to prioritize the objectives of the UC 2025 Carbon Neutrality Initiative (CNI). They ask the Senate to encourage deployment of 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.

Professor Bales and Director St. Clair noted that the GCLC coordinates efforts to implement the CNI. The GCLC could benefit from more faculty engagement from all corners—not only engineering and science, but also the social sciences and humanities. Chair Baird noted that the world is looking to California for leadership, and the letter is not a mandate to campuses for specific action, but a call to action to the Senate to mobilize and show educational and technological leadership on sustainability and the existential threat of climate change.

- UCPB members noted that the letter offers a vision for breaking down campus silos; coordinating research, education, and outreach already being done on the campuses; and surfacing that work in ways that facilitate education, engagement, and practical solutions. Members noted that existing campus initiatives, institutes, and research groups could serve as a starting point and nucleus for the efforts.
- There was also some concern about holding UC to its 2025 carbon neutral commitment (or exceeding it), no matter the cost. Members noted that not all campuses have the resources to afford basic maintenance, let alone build Platinum LEED buildings, for example. There was also some concern about the implications of the recommendation to “redirect” (as opposed to “direct”) research funding to climate change efforts. It was agreed that implementation details should be vetted by the Senate.

ACTION: UCPB endorsed the letter.

VIII. Self-Supporting Graduate Professional Degree Programs

UCPB reviewed a report from lead reviewer Professor Schumm on UCLA's proposed Master of Applied Geospatial Information Systems and Technologies, an online self-supporting graduate professional degree program. The report was generally positive about the proposal, but it also encouraged proponents to clarify the full instructional costs of the program and the technical costs associated with supporting the online format. It also recommended that proponents bolster the case for need and demand, by, for example, including letters of support from firms and agencies that would benefit from the program.

ACTION: UCPB will send the report to CCGA.

IX. UCI Pre-Proposal for a School of Pharmacy and Pharmaceutical Sciences

UCPB reviewed a report from lead reviewer Professor Grandis on UC Irvine's pre-proposal for a

School of Pharmacy and Pharmaceutical Sciences. The School would be the third of its kind in the UC system, and is supported in part by a large philanthropic gift. The report asks proponents to provide a stronger rationale for the additional self-supporting Master's; to address the decline in the national job market for PharmD graduates; and to provide more detail about the allocation of the gift and support for additional enrollments.

ACTION: UCPB will forward comments to Council.

X. Five-year Reviews of Multi-Campus Research Units

Per the [Compendium](#), UCORP will lead the five-year reviews of the Bioengineering Institute of California, and the UC Observatories, and CCGA and UCPB will each appoint one member to act as consultants to UCORP for the reviews. The UCPB consultant will be invited to attend relevant portions of UCORP meetings. UCPB will be invited to submit comments and recommendations to UCORP for inclusion in the final reports.

ACTION: UCPB member Professor LiWang (UCM) will be UCPB's consultant to UCORP for the review of the Bioengineering Institute of California.

ACTION: UCPB member Professor Tom (UCR) will be UCPB's consultant to UCORP for the review of the UC Observatories.

XI. Cohort Tuition

The chair of the Regents has asked a joint Working Group to model a cohort approach to tuition that would provide entering undergraduates with a guaranteed tuition level for up to six years of enrollment, and incorporate moderate inflationary-based increases for each cohort. The topic will be a discussion item at the November Regents meeting, and could lead to action in January.

- UCPB Graduate Student Representative Kiang, who serves on the working group, noted that UC is at a crossroads regardless of the tuition model it chooses. The cost of operating the University continues to rise, while State funding continues to fall short of total need. In addition, although UC's financial aid model covers tuition increases for low-income students, there are gaps in the model that do not adequately address the total cost of attendance, of which non-tuition/fees costs are becoming a bigger share. The University must consider the role of tuition in balancing these pressures. He noted that the working group considered the experiences of other universities with cohort tuition, and discussed pros and cons of tying tuition increases to the Consumer Price Index.
- UCPB members noted that a cohort approach would be attractive to students and families looking for predictability, and provide the University with a stable revenue strategy in an era of unpredictable funding. They also noted that a cohort model locks-in tuition revenue and could limit UC's ability to address an unexpected financial crisis. There was also concern about building inequities across classes. Members also assumed that under any policy, the Regents would reserve the right to raise tuition. It was agreed that UCPB should monitor the discussion at the November Regents meeting, and then discuss next steps.

Meeting adjourned at 4:00 pm

Minutes Prepared by Michael LaBriola, Principal Committee Analyst

Attest: Sean Malloy, UCPB Chair