



## COMMITTEE NAME

### Minutes of Meeting 5 November 2024

**In attendance:** Tim Groeling (Chair), Robert Brosnan (Vice Chair), Mark Stacey (Berkeley), Michael Sutter (Davis), Alyssa Brewer (Irvine), Monica Smith (Los Angeles), Kara McCloskey (Merced), Juliann Emmons Allison (Riverside), Terry Gasterlaand (San Diego), Torsten Wittman (San Francisco), Francesco Bullo (Santa Barbara), Raphael Kudela (Santa Cruz), Steven Cheung (Academic Council Chair), Ahmet Palazoglu (Academic Council Vice Chair), Megan Gutekunst (Associate Vice President, Finance Management), Nathan Brostrom (Executive Vice President- Chief Financial Officer), Caín Diaz (Associate Vice President, Operating Budget), Seija Virtanen (Associate Director, State Budget Relations), Stefani Leto (Analyst).

I. Consent Calendar

**Action:** UCPB approved the minutes of October 1 and the agenda of November 5, 2024.

II. Chair's Announcements

**Academic Council:**

- Calendar Workgroup – the charge has been revised and is less focused on an agreement that semester calendars will happen. The work group hopes to focus on the benefits and costs of a conversion. The process will not be rushed. The workgroup will solicit input from admissions.
- APM 015, 016 – workgroup is focusing on the pause that assumes guilt
- AI workgroup – starting work
- Labor relations briefing by Amy K. Lee and others on the negotiating team. Wider dissemination of the information would help faculty. HERA and HED rules governing how to communicate to represented labor was helpful. The unions can identify communities of interest and incorporate them into their representation without the individuals having to vote, with some restrictions. Useful distinction between faculty giving academic feedback and when union representation in the meeting is key – feedback focused on academic progress does not require union presence and isn't employment-related but faculty need to signal the nature of that consultation ahead of time.
- Board Chair Reilly attended Council, and indicated that focusing on campus climate was important, access without compromising quality, the health enterprise and filling the state's healthcare needs, changes in healthcare offerings, advocacy and outreach, campus safety and weapons purchases.

- Discussion of the Mortgage Origination Program's (MOP) challenges and potential funding sources.
- Budget revenues have improved, but likely not enough to remove the need for cuts.
- Discussed concerns that there might be further cuts to NRS enrollment after the current agreement expires",
- Discussion of the polling the K-12 system did allegedly showing that the UC would drag down a bond measure. Tim's poll question and the national poll.

### III. Leadership Update

#### **Council:**

- MOP Program discussion: Funding for mortgages was depleted due to high levels of loan acceptance. Despite unfortunate communication, it has not been canceled, only suspended until funds are available. Additional funding of \$100M will be given to campuses by January and does not need Regental approval.
- High-Level Administrator Searches: A Special Committee for the Consideration to Select a President will have a 13-member advisory committee with faculty representation. Another ongoing search is for Vice Provost of Faculty Affairs and Programs, following the bifurcation of the Academic Personnel and Programs Office. A search for the Associate Vice Provost and Executive Director for the Education Abroad Program and Santa Barbara's search for a new Chancellor have just begun.
- Increasing numbers of campuses are designated as Hispanic Serving Institutions (HSIs) – Davis most recently.
- The calendar conversion work group has provided vigorous feedback to the Provost on the charge and plan to align calendars across the nine campuses. Ahmet Palazoglu is chairing this workgroup.
- The APM 15 and 16 reviews workgroup has two main objectives: Compliance with statutory requirements of the California Budget Act of 2024 regarding expressive activities. The proposal's provision of an automatic pause in review implicates an assumption of guilt. Chair Cheung is co-chairing with VP Haynes.
- The Senate workgroup on AI, chaired by James Steintrager, is beginning its work. AI integration into instruction, challenges with academic integrity on demand, tutoring assistance, opportunities, faculty, intellectual property rights and opportunities to reduce faculty burden in teaching and administration. The group will develop a UC-wide survey on faculty perspectives on the use of generative AI tools.
- The UC-wide faculty survey has had a good response and is closed.
- Final report for Future of Doctoral Programs will be presented to Academic Council next month.
- Total remuneration studies appear to be moving forward.
- The Upcoming Regents meeting has open sessions in the Finance Committee that may be of interest to UCPB.

Discussion:

- Members wondered about the impact of the CSU's foray into doctoral degrees on the UC's reach, possible duplicative programs, and the financial focus on funding for graduate students. The CSU has focused on applied type doctoral programs. It has been a struggle to get the Regents' and legislature's attention toward support of graduate programs.
- Discussion included noting that the UC has had such difficulty funding doctoral programs that the CSU doctoral programs may need to be self-supporting.

IV. Consultation on "Central Bank"

AVP Gutekunst from Financial Management and CFO Brostrom briefed UCPB on the workings of the "Central Bank" model of campus funding. She noted that three years ago the CFO's office looked at how debt was managed. Extremely low rates in 2020 and were helpful but could not continue. To provide long term stability for financing the CFO's office disconnected financial markets funding from individual campus project financing. They set a rate, currently 4.25 percent, to provide campuses with a set rate for financing. The pool of money comes from selling tax exempt bonds on the market. Regardless of what rate the UC gets in bonds, loans to campuses remain 4.25 percent.

The pool can be used to pay down debt while managing the risk for campuses through interest rate reserve for cushioning. In addition, they can issue variable rate debt

There are policies in place to manage this kind of financing. It is done at the central level through Regent-issued bonds. Campuses must meet a repayment model to get this funding. Five years ago, there were more public-private partnerships, but higher rates have made them unattractive.

Medical centers will have the greatest need for financing in the future, both for acquisitions and mandated seismic retrofits. A joint medical center group forms to pay the bonds, separate from the central bank for campuses, but lenders view this as one pool of credit between the campuses and medical centers. This increases the total debt by at least 50 percent. CFO Brostrom noted a concern that at some point the debt level could destabilize the overall UC credit rating. OP has reviewed the health centers' capacity for debt, and it is time for another round of this evaluation. The growth of the medical centers and their continued financial success helps the system's overall debt capacity.

Unlike the CSU, the UC approaches borrowing centrally, rather than campus by campus. We can leverage the power of a larger system. The prior Trump administration removed the possibility of advance refundings, and the University will have to evaluate future approaches based on changes from the federal government.

V. Consultation with OP

California is projecting a \$28.6B budget deficit. The 2024 June Budget Act indicated a 7.95 percent cut to the UC base budget. In addition, compact funding would be

deferred, but with restoration of \$125M cut in the current year, resulting in a \$271M base budget cut. Should there be an unexpected increase in State revenues, the first \$5B goes to the K-12 system. Capital gains from home sales and IPOs are a large part of the state's budget. From July to September, the state collected over \$4B in unexpected revenues, almost making enough to reach the K-12 commitment level.

In addition to the budget, the upcoming election holds uncertainty. Thirty-seven state legislators are new, so SGR has started efforts to educate incoming members about the UC and its budget. More than half of the legislature will have two or fewer years of experience.

The Budget Office proposes a budget to the Regents that is then used to solicit legislative funding. Key elements include the tuition stability plan tied to CPI of 3.5 percent, the effects of NRST, that the average debt for UC undergraduates is less than comparator campuses, total cost comparisons that support the value of aid from UC to non-resident students over ostensibly less expensive colleges; they would still graduate with less debt. In addition, the UC will present a request for one time funding for capital as it has done for the past two years.

The audited financial reports are sound. The capital financial plan coming out has integrated the seismic upgrades into the plan and provided both a consolidated plan as well as per-campus proposals. Multiple revenue streams strengthen the UC, so medical centers help. Reliance on core funds can be used as a metric for campus strength, Using that metric, Merced relies 78 percent on core funds; midrange campuses without other sources of revenue or medical centers are about 50 percent dependent on core funds

- Discussed possibility that there might be further cuts to NRS enrollment after the current agreement expires. CFO Brostrom noted that there have been proposals like this in the past, including a 2011 constitutional amendment to cap it to 10 percent. We haven't yet gotten an indication that the current legislative leadership wants to cap it. The UC has increased state enrollment, adding 7800 in-state undergrads while other segments are dropping.
- Because the MOP loan program is a good stable investment opportunity, it could be used as a potential investment vehicle. The CFO noted that the UC cannot use working capital or endowment, but the CIO could buy some out of UCRP as a fixed income project. The program's credit quality is unmatched. Doing so would also provide a social benefit for retirees supporting the next generation of scholars.
- Until the Tuition Stability Plan, RTA was 30 percent, and the Regents raised it to 45 percent. The committee suggested that this should be changed as student debt levels have dropped.

## VI. Self-Supporting Graduate Professional Degree Program Proposals

UCPB agreed that the two-year part-time MS in Global Health Science (MS-GHS) San Francisco proposal showed insufficient data. They found the proposal poorly organized and unsupported by the financial information presented. Existing student satisfaction

scores are low. The one year program (4 quarters) requires substantial summer effort. The program states it would fit employed students' work schedules and the committee found that unrealistic. The existing program has dipped into insolvency and has come back.

**Action:** UCPB will ask CCGA for clarification in a letter expressing questions and withholding approval.

The committee approved a proposal for a Master of Advanced Studies in Precision Medicine in Oncology at UC San Diego. The curriculum was impressive to the committee and the professors are outstanding in the field. The reviewer noted a lack of gender diversity among faculty, but that all had capacity to teach this program and it is a high priority area for research at UCSD. All students will do a capstone project that is hands-on with clinical data, and plan clinical studies. The program is open to prepared undergraduates, MD students, and post-MD fellowship students.

The campus has unveiled a new level of oversight of SSPS in the SOM at UCSD, indicating a high level of commitment to the success of these masters degrees.

**Action:** UCPB will write an approving letter to CCGA.

#### VIII. Items for systemwide review

UCPB assigned reviewers for two review items, both due after the next committee meeting.

#### IX. Campus Updates

**Berkeley:** The campus has a new Chancellor. High-level conversations taking place about the budget, revenue and expenditures and whether they match. Focus on additional funding streams for stable long term revenue model as well as immediate concerns. Need to increase staffing and faculty. The campus faces a risk of double hits to department operations through cuts as well as reduction in strategic allocations from central campus for instructional spending for GSIs, lecturers, staff salary increases. Discussion about self-supporting programs and how to determine those not self-supporting and transition them if not. Berkeley will create a negotiated salary program based on that at other campuses. Faculty are unwilling to hurt students, but doing more with less does not demonstrate the effects of ongoing funding cuts. Cutting student capacity for high-value majors may be one way to uphold instructional quality in the face of resource depletion.

**Davis:** Self-supporting programs are under discussion, along with health care costs and how subsidies for various plans vary. Faculty are working to elevate the value of strategic, rather than across-the-board percentage cuts.

**Health Care Task Force:** Health insurance premium increases have exacerbated concerns that there is a lack of transparency from HR about drivers for costs. Premiums receive a \$198M subsidy. How that money is distributed to various health care premium

options is not clear. It may be that UC is subsidizing UC health care at a higher amount than others, and if so, there is a lack of clarity about what plan receives what level of subsidy. If the UC's health care options are less efficient than others, how do state expansion plans affect the subsidy landscape. Health care premiums will also increase next year because of State-required IVF coverage. HCTF would like to know the actual rates the University is charged, and where funding for subsidies originates.

**Irvine:** Developing a new budget model and implementing the best practices document involves training the community on the various budget issues through a number of town halls by the Provost. CPB prepared materials for the briefings, and has been posting on various websites, increasing transparency, without increased faculty engagement.

**Los Angeles:** New CFO, new Chancellor starting in January. There are many visible varieties of security personnel on campus, causing an uncomfortable climate for some, and raising budget questions for some. Discussions about Athletics include to what extent the campus is defined by athletics, their challenges and costs. Self-supporting degree program in the School of Nursing is requesting a return to state-sponsored program, as students need access to loans and cannot be funded for a self-supporting program.

**Merced:** Representative sent information to the Grad Divisions about how other campuses are handling the increase in grad costs, without receiving responses. No money has been identified to help faculty cover funding gaps for graduate students. The campus receives enough grants to move to R1 status, but no pre-award spending policy exists on campus. There can be a six month gap between announcement of the award and receipt of funding. Pre-award spending funds are to be secured from other sources. UCPB members shared their departments' approach to such spending, from discouraging it or limiting the time to do so unless a Dean or Chair supports it. This matches Merced's conservative approach. Faculty met with the Chief of campus police to discuss equipment orders, which are relatively minor and defense focused.

**Riverside:** CPB held a budget primer and they were asked to do it for the whole faculty. Graduate funding responsibility was moved from grad division to colleges and schools but funding is only enough for two quarters. A self-supporting graduate program in business has been moving through the proposal process and discussions of how to react if programs do not become self-supporting has begun. Transfer student numbers have dropped, affecting undergraduate enrollment. Plans to cover building funding from grant overhead has created issues as all overhead funding was taken but not all faculty paying have access to the new multifunction building. All campus overhead is insufficient to pay for the building, and these funds do not then cover other campus costs. Faculty occupying the building received the spaces because their grants were consistently large, but accounting revealed that once they were in the building, funding decreased.

**San Diego:** UCSD made cuts before the restoration of the five percent base budget increase was announced by the state. The campus balanced the budget by freezing new hires. San Diego will be \$45M short next year rather than \$55M. The campus is financially fairly healthy, and rapidly building housing. Construction loans were secured

at 2-3% interest rates, and pre-fab interiors keep costs low. Campus will shift to a year-round housing model and will be able to house all undergrads and grads wanting housing. Students report year-round increasing opportunities for research and internships. On campus housing increases have a regional impact on housing. The Chula Vista campus will increase the likelihood that faculty will use hybrid classes to reach that campus. Discussions of crisis response are much more productive than earlier. The campus has invested in cutting edge technology to reduce carbon emissions but now decarbonization makes using co-gen plants problematic. San Diego will focus on places where wise investments will make the biggest difference and pause decarbonization.

**San Francisco:** Discussions about funds flow have become more transparent. All graduate programs are struggling to pay for new labor contracts. Funding beyond first year is insufficient and long term plan is not clear but money will have to be found because hiring graduate students is costly and unproductive. IT security requirements for encryption do not work for many of the computing done in labs.

**Santa Barbara:** A number of high-level senior leaders including the Chancellor and Vice Chancellor are in recruitment phases. The campus has two student housing projects awaiting California Coastal Commission approval. CPB is trying to implement the best practices from the UCPB report. The campus needs urgent investment in capital maintenance, and the budget line for it is inadequate. Unfunded seismic mandates increase capital needs.

**Santa Cruz:** The campus projects a \$150M deficit in three to five years without action, so a first round of cuts has been put in place. Additional midterm cuts must be proposed by the middle of this month. CPB will put forward a deficit reduction plan of approximately 25 percent. Efforts to generate income including housing are moving forward. MOP has been paused but will cap going forward.

**TFIR:** The Task Force discussed a Fidelity security breach and Fidelity's making investors whole. The company has identified the incident as a "lack of appropriate security," not a data breach. UCRP employer contributions will increase to 18% from 14.5%

The committee adjourned at 3.17.

Minutes prepared by Stefani Leto, Analyst  
Attest: Tim Groeling, Chair