

UNIVERSITY COMMITTEE ON PLANNING AND BUDGET

Minutes of Meeting

March 7, 2017

I. Announcements

Bernard Sadoulet, UCPB Chair

Update: Chair Sadoulet reviewed the agenda items, noting that the Framework for UC's Growth and Support continues to receive mixed support in the Academic Council. (See also Item IV.2 below.)

II. Consent Calendar

Note: Item will be conducted electronically.

III. Consultation with Academic Senate Leadership

Shane White, Academic Council Vice Chair

Update: Vice Chair White updated the committee on several items of interest:

- A Public Records Act disclosure of cases at UC involving sexual violence and/or sexual harassment complaint-related punitive actions was released last week. No internal warnings were given, despite privacy concerns; while some names were redacted, others were not – ostensibly on the basis of severity and/or an individual's place in the UC hierarchy. Since this is the first such release in the nation, it is not known what reputational damage UC may encounter; nor is any normative data available to indicate if this reflects a high or low rate of actions. Any complaints involving pending lawsuits were not disclosed.
- Draft changes to the policy governing lecturers with security of employment (LSOEs) will soon come for formal systemwide review. The current proposal suggests renaming LSOEs as Professor of Teaching X in order to bolster recruitments and better reflect other academic titles.
- A state audit of UCOP functions will soon be completed. This audit follows last year's audit and is expected to be similarly unflattering to UC. UCOP will prepare a response for coterminous public release.
- The California Community Colleges have asked for an AA degree based on the transfer pathways. This proposal is still in the "proof of concept" stage.
- UC's and the Academic Senate's messaging on the value of non-residents is not penetrating the public sphere. Letters to the editor, not just statements from Sacramento, illustrate this fact; politics and preconceived notions seem to be the overriding factors at present. The Regents item for discussion later this month has just been posted, and it was changed at the last minute without Academic Senate consultation. The current draft would essentially codify the "tiers" of UC campuses and delimit the ability of younger campuses to reach full maturity by precluding them from pursuing enrollment goals of their making. The current draft would also encourage those below the cap to race to reach maximum non-resident enrollment – an act that would surely raise still more ire in Sacramento. Conveying the utility of non-resident tuition dollars is complicated by scrutiny of UC's compare favorably standard. That the campuses with lower non-resident rates also have higher proportions of underrepresented minorities as well as less legacy state support per student further serves makes clear argument difficult.

IV. Consultation with CFO Division

David Alcocer, Director, Operating Budget

1. Non-Resident Policy Proposal

Issue: Director Alcocer reported that there is not yet widespread consensus on the item.

Discussion: Members asserted there is a significant hazard to codifying tiers among the UC campuses; even delaying the decision for five years will lend implicit support to the establishment of tiers. Members speculated whether “triggers” could be added to the policy, such as if state funding drops further. The time lag between fiscal changes and academic impacts makes it even more difficult to illustrate the fiscal and pedagogical value added by non-residents. Capital growth and academic resources will be unnecessarily curtailed.

2. Framework for UC’s Growth and Support

Issue: Director Alcocer reported that a new modeling tool for deriving the marginal cost of education is being beta-tested with three campuses, and results will be shared when ready.

Discussion: Members asked what instructions regarding shared governance had been given to the campuses, and what could be expected at the April meeting. Director Alcocer suggested deferring additional discussion until project leads could join.

Action: UCPB will invite AVP Brown of IRAP to join future discussions.

3. State Indirect Cost Recovery (IDC) Changes

Issue: Director Alcocer indicated that the change to the state indirect cost recovery rate was agreed to by UCOP.

Discussion: Members asked whether the new IDC would be on top off grants or if the funding pot was zero sum. Capital and staff planning are impacted.

Action: UCPB will invite Controller Arrivas to join future discussions.

4. State Budget

Update: Director Alcocer reported that the governor has proposed using Prop 56 funds earmarked for graduate medical education in lieu of general funds, yielding a net loss of funds to UC. Whether this proposal survives budget negotiations is unclear as budget hearings begin this week. Following Regental approval of the tuition increase, the LAO has asked how UC spends for academic quality. Implementation of the Budget Framework Initiative continues: The activity based costing pilot has shown little, if any, cost savings to date; some campuses are expected to have difficulty making their transfer enrollment goals, and so messaging there will be important.

Discussion: Members asked how UCOP would respond to the request for an accounting of academic quality spending, and Director Alcocer indicated a template was being developed that included metrics such as SFR, graduate student support, and the like. Members asked how UCOP was lobbying to increase graduate student support, and Director Alcocer suggested that the governor is the primary obstacle at this time. State workforce needs projections support UC’s position in this area.

5. LAO Audit of UCOP

Update: Director Alcocer noted that UCOP will receive a confidential briefing tomorrow, but it is expected to be akin to last year’s systemwide audit.

6. UCOP Assessment

Issue: Director Alcocer reminded members that the assessment is based on 1) campus expenditures, after rebenching, including medical schools but not extension; 2) employee FTE; and 3) student FTE.

Discussion: Members asked how cybersecurity funds were being spent, noting that UCOP is buying cyber insurance for the system. Allocations by campus/location are still unclear.

7. Rebenching and Funding Streams

Issue: Director Alcocer reminded members that President Napolitano accelerated the final two years of rebenching, and UC is now able to include overenrolled students in the calculations. Still, some students are not accounted for in the system, such as some SSP students and “overfunded” aspirational graduate students.

Discussion: Members wondered if a general reset would be needed again. An explicit enrollment plan would help, as would enforcement mechanisms for those who deviate from their plan.

8. Capital Planning

Sandra Kim, Associate Vice President, Capital Asset Strategies and Finance

Issue: AVP Kim referred members to the January Regents item that summarizes the University’s 10 year capital financial plan with funding sources. In short, education project needs totaling of \$14B over the next 5 years have been identified, including deferred maintenance goals. There is wide variation among the campuses. A GO bond and a LRB would improve UC’s capital footing. The campuses cannot issue their own building debt, but their philanthropic efforts can help offset UCOP expenses. The medical centers have their own debt pool, and auxiliary credit might be use, too. Repayment funds include non-resident tuition, indirect cost recovery, investment income, and similar sources.

Discussion: Members asked if there was a race to access debt capacity, and AVP Kim indicated there is no “cap” per se; further, since UC is one entity with one credit rating, a race is not possible. UC’s credit rating is strong, even if market metrics do not align with public higher education institution operations on a one-to-one basis.

V. **Review Items**

1. SSP Proposal: UCB Real Estate Development and Design

Action: UCSB Representative Adams will serve as lead reviewer for this item.

2. SSP Proposal: UCSD Master in Professional Accountancy

Action: UCR Representative Shelton will serve as lead reviewer for this item.

VI. **Campus Updates**

Berkeley: Budget discussions continue on campus, with the aims of structuring and normalizing across the campus, including auxiliaries, athletics, and shared services.

Davis: A new chancellor has been announced.

Irvine: Local discussion has focused on the Framework.

Los Angeles: 1) Changes to state indirect cost recovery were poorly communicated, especially to approval processes, and some researchers have lost funds. 2) The new federal administration’s first travel ban would have impacted ~225 UCLA students, with about 100 of them from Iraq.

Merced: 1) Project 2020 foundation digging has begun. 2) The Senate is opposing cluster hiring proposals.

Riverside: An interim EVC/Provost has been announced. Financing new buildings is a growing concern.

San Diego: Greater transparency in transactions is being sought, and reporting dashboards for in-flows and out-flows are being developed. Framework discussions will begin this week.

San Francisco: The campus received a large donation, and must now determine how best to spend it within donor preferences. More endowed chairs may be created, and morale concerns have been raised.

Santa Barbara: 1) Campus enrollment growth is approaching the California Coastal Commission limit. Where to house additional students is unknown. 2) Graduate student enrollment is down to 11% of the student population. 3) Maximizing overhead costs is increasingly important. 4) New academic areas require new construction and new funds.

Santa Cruz: 1) The LRDP needs renewed, and must reflect sensitive “town-gown” relations. 2) FTE requests for the fall are being developed. 3) Greater equity between the colleges is being explored; for example, several biology-related departments receive differential funding.

VII. Executive Session

Note: Other than action items, no notes are taken during executive session.

VIII. New Business

None.

Meeting adjourned at 3:30 pm.

Minutes prepared by Kenneth Feer, Principal Policy Analyst

Attest: Bernard Sadoulet, UCPB Chair

Attendance:

Bernard Sadoulet, UCPB Chair

Josh Schimel, UCPB Vice Chair

Raveevarn Choksombatchai, UCB

Mitch Sutter, UCD Alternate

Jim Steintrager, UCI

Tim Lane, UCLA

Mukesh Singhal, UCM

Christian Shelton, UCR

Andrew Kahng, UCSD

Russ Pieper, UCSF

Ann Jensen Adams, UCSB

Abel Rodriguez, UCSC

Aaron Dolor, Graduate Student Representative