UNIVERSITY COMMITTEE ON PLANNING AND BUDGET

Minutes of Meeting

May 2, 2017

I.   Chair's Announcements

Bernard Sadoulet, UCPB Chair

Update: Chair Sadoulet updated the committee on several items of interest:

- There is much speculation, but not much concrete information, about federal budget changes to NIH and NSF budgets.
- Next steps for the non-resident policy are unclear. The current proposal is to impose a low cap, grandfather in the campuses currently over the cap, and revisit the policy in two years. The politics surrounding this issue continue to be contentious, and the Academic Senate is trying to make the case that the funding and enrollment impacts of a cap, especially in conjunction with other budgetary demands, such as the transfer guarantee at every campus, could be disastrous for several of the campuses. Eroding academic quality is not yet a factor in this discussion, unfortunately.
- The state budget is not yet final.

II.   Consent Calendar

1. DRAFT Minutes of February 7, 2017
2. DRAFT Minutes of March 7, 2017

Action: The consent calendar was approved as noticed.

III.   Consultation with Academic Senate Leadership

Jim Chalfant, Chair, Academic Council

Update: Chair Chalfant updated the committee on several items of interest:

- Resources per Student: Resources drive allocations, not vice versa. The current Cost of Instruction calculation does not address resource inequality by campus, despite the progress made during rebenching. Deferred maintenance and other expenses are not included in all calculations. The principles that underlie budget recommendations must be clear.
- Non-resident Policy: The consequences of under- or over-enrolling are not known, and a "tragedy of the commons" outcome must be avoided. It is also not yet known whether winter and spring admits will count toward California enrollment targets.
- UCOP Audit: This audit was clearly politically motivated, and many have expressed surprise at the tone of the audit. The UCOP response is still being formulated.
- Salary Administration: The Academic Council has recommended that the 3% faculty merit increase be applied equally across the board because it is too small to parcel out to limited targeted purposes. The provost has reported that campuses will not have to submit accounting of their allocations, but campuses may choose to do so.

IV.   Consultation with UC Path

Mark Cianca, AVP Operations Services
Jim Leedy, Executive Director, UC Path Center

Issue: Executive Director Leedy reminded members that the legacy payroll system was unwieldy and too old to comply with current federal compliance regulations.   Due to UC's complexity, there was no viable commercial vendor.   So UC had so seek a custom system that would standardize 103 separate business process from across the campuses.   The campuses and UCOP spent 8 months during 2013 achieving consensus on the software architecture. Long-term efficiencies will result, and the UC Path center, which will handle most basic transactions, is a central part of the project.   Original messages of immediate cost savings and lower employee headcount have been dropped in favor of arguments to cap future local growth in human resources transactional areas.   The UC Path project is investing heavily in cyber-security efforts; data is encrypted both while at rest and when in transit.   The campuses cannot pull data; UC Path will deliver requested data.   Operating costs of UC Path will be assessed from the campuses based on the number of W-2s filed at each.

Discussion: Members asked if medical center affiliate acquisitions would be processed by UC Path, and ED Leedy indicated yes, if they become UC employees.   Members suggested that the UC Path team undertake a targeted communications program to convey the change in messaging and financial goals of the project, as well as the success of the UCOP roll-out; most people on the campuses only know the grand launch and subsequent missteps.

V.   Consultation with the Office of the President – Finance

David Alcocer, Director, Operating Budget
Discussion:

1. <u>UCOP Audit</u>: Director Alcocer noted that EVP Brostrom sends his regrets, as he was called to a budget hearing in Sacramento.   In its formal response to the audit, UCOP has agreed to the calls for greater transparency regarding project approval and accounting, as well as greater transparency in workforce planning and salary setting.   UCOP does disagree with the market benchmarks proposed by the auditor.   Members asked what best practices exist for workforce planning.   Director Alcocer noted that there are public policy standards, but they are note tailored for higher education research institutions.
Action: Director Alcocer will share the "soft" talking points developed in response to the audit.

2. <u>Non-resident Policy</u>: UCOP seeks to rebuild relations with legislative leaders to reframe fundamental questions in this debate.   Chancellors, Regents, and alumni have also reached out.   The principle of "do no harm" is reflected in the grandfathering clause of the current proposal.   Members noted that the concession grants the point that non-resident tuition dollars are helpful to the overall education mission of UC.   Director Alcocer noted that the legislature still thinks that non-resident tuition levels can continue to increase indefinitely, despite evidence that UC is already at the top end of the spectrum.   Members noted that the systemwide cap will lead to a race to fill the base, and inquired what enforcement strategies were being developed.   Director Alcocer said that implementation guidelines were still being developed.

3. Resources per Student: Members cautioned that resources available should not be conflated with cost of instruction estimates. Members also noted that some program operations costs further reduce available resources, such as for the Observatories and ANR, and asked if there were other off-the-top deductions and how they were justified and calculated.

4. Graduate Student Funding: The state is expected to include minimal funding for increased graduate student enrollment, but may again call for targeting California residents. Members noted with concern that the legislature does not understand the role of graduate students at a research University and does not appreciate the time-lag in graduate program outcome changes. How UCOP tries to educate the legislature on the value of graduate students to undergraduate education and state workforce preparation is unclear.

5. Campus Assessments: Director Alcocer shared the 2016 assessment accounting, and members inquired where the ANR allocation was listed. Director Alcocer indicated that ANR was not included on the chart, and added that no decision has been made on now to include medical center affiliate acquisitions on the 2017 chart. UC Path is a separate assessment.
   Action: Director Alcocer will report in June with additional assessment accounting.

6. Rebenching: Members asked how the rebenching formula will be adjusted to account for graduate student enrollments in self-supporting programs. Director Alcocer said that so far, only UCLA's Anderson School has removed its graduate students from the calculation. Next steps are to revise reporting guidelines to increase transparency. If funds are released from reclassifying SSP enrollees, how those funds should be allocated has not yet been determined. Members suggested that leaving any released funds on that campus would wrongly incentivize growth in SSP programs. How to account for online enrollees is also still under discussion.

VI.   Review Items
1. Self-supporting Program Proposals
   a. UCB Real Estate Development and Design
      Ann Jensen Adams, UCSB Representative and Lead Reviewer
      Issue: The proposal is for an 11-month, post-professional degree that would add demographic and environmental concerns to real estate business considerations. The program expects to be cash positive after year 1, and the market analysis seems supportive. The faculty workload is compensated for with buy-outs and limited new recruitments. The internal flow of funds, though, was not clearly outlined.
      Discussion: Members voiced concern at the apparent commingling of students. Members also noted that a second faculty vote, after clarifying funds flow, would be appropriate.
      Action: Analyst Feer will draft a memo to CCGA summarizing the committee's concerns.
   b. UCSD Masters of Public Accountancy
      Christian Shelton, UCR Representative and Lead Reviewer

Issue: The proposal is for a 9-month program in public accountancy. The cost template included in the proposal does not match that recommended for use by the APC. No new faculty are expected to be needed, and the program expects to be cash positive by year 2. The market assumption of 72 students per year drawn from undergraduate accounting minors at UCSD may be too ambitious, though. Return to aid is targeted at 14% for year one, and then 8% from year 2 onward, but is merit based only, which does not enhance access. Also, there is no market demand study included.

Action: Analyst Feer will draft a memo to CCGA summarizing the committee's concerns.

   c. <u>UCI Doctor of Nursing Practice</u>

   Action: UC Davis Representative Powell will serve as lead reviewer for this proposal.

2. <u>Proposed Presidential Policy on Export Controls</u>
Andrew Kahng, UCSD Representative and Lead Reviewer
Issue: The proposed policy reiterates known obligations, but seems to increase the administrative workload of faculty. Campuses must provide support to help faculty comply, but this seems to be another unfunded mandate. Online education concerns deserve more attention, and differential practices by campus should be avoided.
Action: Analyst Feer will draft a memo for electronic approval.

3. <u>Proposed Revisions to APM 285, 210-3, and 740</u>
Christian Shelton, UCR Representative and Lead Reviewer
Discussion: Members noted that differential implementation by the campuses would defeat the purpose of the proposal, and so clear implementation guidelines must be issued. Members also noted that academic freedom guarantees for Senate-eligible faculty must be conspicuously included.
Action: The committee will return to this topic in June.

VII.   Campus Updates and New Business

1. <u>ANR Task Force</u>: Vice Chair Schimel reported that the new task force was nearly fully populated. Members to date met via videoconference last week to identify topic sequences for discussion with ANR personnel. Members noted that ANR spending targets have not been publicly explained or questioned. Additional topics for exploration include source to product fund tracing, the role of shared governance, and whether the size and organization of ANR are appropriate for the 21st Century. The task force will request the materials submitted to the state auditor, since ANR was held out as a positive example of accounting.

Meeting adjourned at 3:45 p.m.

Minutes prepared by Kenneth Feer, Principal Analyst
Attest: Bernard Sadoulet, UCPB Chair

Attendance:

Bernard Sadoulet, Chair
Josh Schimel, Vice Chair
Cathryn Carson, UCB Alternate
Mitch Sutter, UCD Alternate (via phone)
Jim Steintrager, UCI
Time Lane, UCLA
Mukesh Singhal, UCM
Christian Shelton, UCR
Russ Pieper, UCSF
Ann Jensen Adams, UCSB
Abel Rodriguez, UCSC
Andrew Kahng, UCSD