

## UNIVERSITY COMMITTEE ON PLANNING AND BUDGET

## Minutes of Videoconference Meeting

June 7, 2022

Present: Kathleen McGarry (Chair, Los Angeles); Don Senear (Vice Chair, Irvine); Ron Cohen (Alternate, Berkeley); Heather Rose (Davis); Alyssa Brewer (Irvine); Evelyn Blumenberg (Los Angeles); Kevin Mitchell (Merced); Dana Simmons (Riverside); Gedeon Deák (San Diego); Jeffrey Gee (Alternate, San Diego); Michael Provence (Alternate, San Diego); Marc Steurer (San Francisco); Rene Weber (Santa Barbara); Dard Neuman (Santa Cruz); David Brownstone (TFIR); Eleanor Kaufman (TFANR); Robert Horwitz (Chair, Academic Council); Susan Cochran (Vice Chair, Academic Council); Nathan Brostrom (EVP-CFO); David Alcocer (AVP – Budget Analysis and Planning); Seija Virtanen (Associate Director, SGR); Stefani Leto (Analyst).

**I. Consent Calendar**

**Action:** UCPB approved the June 7, 2022 agenda and the May 3, 2022 minutes.

**II. Chair's Announcements**

- Chair McGarry noted an article in the *Los Angeles Times* by Teresa Watanabe urging additional funding for UC Riverside and UC Merced, in light of their alleged lower funding than other UC campuses.
  - Both President Drake and Provost Brown would like to review the Rebenching Task Force's report.
  - David Brownstone reported that at least one campus is refusing to distribute TFIR's retirement choice modeling tool based on concerns that it would create liability for them. In addition, the COVID-19 Impact on Faculty Report has not been widely shared.
- Discussion noted that the *Times'* article relied on selective data points. There is no evidence that UC Riverside is funded at a lower level than any campus. If a wider lens is used on funding, they among the highest-funded campus on a per-student level. It would be ideal if the Office of the President would counter the narrative of widely disparate funding levels for campuses.

**III. Consultation with Senate Leadership**

Budget Updates: The Governor's May budget revision includes the Compact for Higher Education. Hoped-for one-time capital funds are not in the budget, although the legislature can add them during the budget process. Hoped-for increases to proposed raises for faculty this year due to record state reserves are unlikely. President Drake indicated a possibility of a second round of increases next year.

May Regents Meeting: Regent Leib is the new Chair of the Board of Regents, and Regent Elliot the Vice Chair. The Regents endorsed the Office of the President's budget. UC is creating a central bank to facilitate campus borrowing.

Chair Horwitz presented three of the Senate's accomplishments for the year:

1. The Memorial to the Regents sent out for faculty votes, and is likely to pass;
2. ICAS forged a consensus for the first part of AB 928, and creating a singular general transfer pathway for both the California State University and University of California systems;
3. The Senate successfully defeated an effort to remove systemwide review of Master's degrees, including self-supporting Master's degrees.

Coming to agreement on the second part of the Associates Degrees for Transfer (ADT) bill will be more challenging, as the UC requires transfer students to have major-specific preparation. The implementation committee for this effort has been appointed by the Legislature without significant faculty representation.

The Regents received a presentation on the "hidden curriculum" concentrating on the importance of mentoring. The Academic Personnel and Programs Office presented a report on the Advancing Faculty Diversity initiative, noting that departments which practiced cluster hiring were more successful in diversifying their faculty. Another presentation on morale among clinical faculty revived the call for expanding Senate membership to them. The Senate has agreed to an ad-hoc working group focused on the issue.

The Regents expressed concern about cybersecurity, and Chair Horwitz urged faculty consultation by Chief Information Security Officers regarding best practices, accounting for research needs.

#### Senate Issues:

##### Council:

- A discussion of adding ethnic studies to the a-g requirements ended with the matter returned to BOARS for additional discussion.
- Council endorsed a memo from UCAF noting that departments have the right to post political statements.
- Council discussed fully online degrees and agreed to a framework for such degrees as well as strongly considering reviving the residency requirement.

Navitus attended the Health Care Task Force and apologized for issues with pharmacy benefits and outlined steps they are taking to address the problem. Chair Horwitz mentioned to President Drake the pattern of large procurements for software or services going badly awry. He suggested relying on faculty expertise before engaging in another round of procurement.

A coalition of academic senates and students from the three segments of higher education have expressed interest in working together to defend intellectual property rights on websites such as CourseHero and Chegg which facilitate academic dishonesty. Senate leadership has asked CIO Bachher to investigate any UC investments in such websites.

Affiliation contracts between UC hospitals and other providers are proceeding. Concerns regarding the fall of Roe v. Wade's effect on allowed procedures by clinicians. Women traveling from other states may be in legal danger in their home states if UC providers are required to release information regarding abortions.

- Discussion included frustrations about lack of widespread distribution of the Impacts of Covid-19 on Faculty Report, as well as questions regarding use of ARO statements for CAP hearings. Chair Horwitz noted that the report contains recommendations and guidelines for CAPs.

#### **IV. Rebenching Working Group Update**

Vice Chair Don Senear presented the draft report of the Rebenching Working Group. The report notes the difficulties of using student weight adjustments to address funding inequities between campuses. However carefully campuses weight students, set-asides continue to have an outsize impact on campus funding. True enrollment funding, based on total, rather than budgeted enrollment, would help funding equity for campuses. This would require a one-time “true-up” of student numbers. After that, campuses would be funded only on planned enrollment. Systemwide enrollment planning would be critically important. A new category for academic Master’s students would also be created. It would emphasize the value of graduate education, without greatly changing funding.

Funding for health sciences varies between campuses. For UCLA, Davis, Irvine, and San Diego, funding is based on the weighted enrollment model. For Riverside, set-asides are used (including startup costs for a new medical center). UCSF is funding through a “funding corridor,” like a set-aside as it is a fixed portion of the UC budget. Enrollment-based models would change the allocation for UCSF. Some adjustments, such as creating a lower weight for students paying professional supplemental tuition to doctoral programs in the health sciences, such as Schools of Public Health, rather than weighting them at the five set for medical students would help cure some distortions of funding, but would create new ones. As a result, the WG strongly urges reconsidering health sciences funding systemwide in order to create a more sustainable model.

The University had asked for infrastructure funding from excess State funds. So far it is not in the proposed budget. A bill, AB 2046, the “Inland Rising” bill, would deliver both capital funding and permanent funding to UC Riverside and UC Merced. To the extent that such funding would free other dollars for capital improvement at other campuses, it would be positive. The WG expressed fears that it would result in reduction of the entire UC budget allocation.

Set-asides continue to distort funding across the system. Line-items from the legislature are challenging to address, but they should be targeted for sunset, allowing campuses to continue to fund them if desired. Set-asides subject to cost adjustment, such as the Neuropsychiatric Institutes and Scripps, have been funded like a campus. Educational or clinical activities in these institutes should be funded from those sources. This category of set-aside requires effort to rationalize the funding. The WG determined that a key way to address asymmetries between campuses is by specifying funding gaps, determining if they are systemwide responsibilities, and then funding them with targeted, fixed, and renewable as needed set-asides.

The report will be sent to the Provost as a working draft this week.

- Vice Chair Cochran asked whether health science disciplines with professional fees still received enhanced student weighting. They do, and an analysis of cost of education for varying programs in the health sciences would allow differential weighting. Health sciences

student weights were negotiated to adjust funding between UCSF and other programs historically.

- The role of clinical enterprises and UC Health, systemwide, in funding medical schools without attached medical centers must be discussed.
- Transparency is key, so reasons behind funding choices must be made clear.

## V. **Budget Consultation with UCOP**

- *Nathan Brostrom, Executive Vice President, Chief Financial Officer*
- *David Alcocer, Associate Vice President, Budget Analysis & Planning*
- *Seija Virtanen, Associate Director, State Budget Relations*

UCPB asked for updates about health sciences funding review, legislative reactions to the *LA Times*’ article, possibilities of funding for previously-unfunded students, and potential funding for capital improvements. AVP Alcocer explained that funding, known as “AB 94,” is taken off the top of state funding, and the bulk now goes to pay the Merced 2020 costs. The University will continue to set aside monies in this category to fund additional capital projects. Questions regarding funding capital versus operating costs are open. Annual debt payment by the University cannot exceed 15 percent of the entire UC budget.

AVP Alcocer noted that the articles’ anecdotes illustrating alleged underfunding of campuses could be accurately applied to almost any UC campus. No negative responses from the legislators to the article have been noted, although components of the “Inland Rising” bill have been brought into the general budget package for the UC.

The governor’s May budget revision addresses the unusually high \$97B surplus for the state budget. The University budget did not change substantially from the proposed compact. Legislative proposals include some capital projects. In addition, enrollment monies can be used for previously-unbudgeted students, a lower target increase number for 2022-23 enrollment, and a higher one for 2023-24. Other funding included that for foster youth, carceral system-impacted students, among other things. The conversations among legislative staff and UC representatives have been increasingly collegial this year. Improved relationships will continue to best serve UC students’ needs.

CFO Brostrom noted that the University plans to continue to advocate for increased capital funding, and that the budget cycle is ongoing and numbers may change.

An OP-housed UC central bank, which will manage all debt, rather than campuses, will provide predictability for campus borrowing. This process will level out liquidity in the UC budget.

Systemwide insurance renewals continue to be challenging. The University has received discounts on workers’ compensation and casualty insurance, but faces challenges in cyberinsurance coverage. The University may self-insure for cyber risk, as well as sexual misconduct and traumatic brain injuries. Bond funds are being used to fund Fiat Lux reserves. Ad-hoc COLA adjustments for some retirees will go forward.

- A UCPB member strongly urged a rethinking of UC Health funding, including those for institutes outside of medical centers. EVP Brostrom noted that some health related set-asides

are funded by legislative actions. He noted that the budget office urges those be time-limited and convert to regular allocation for campuses. Historic set-asides, such as the Neuropsychiatric Institute, should definitely be examined. The earliest that changes in set-asides could be implemented is 2023-24.

- Chair McGarry asked about sources for clear information regarding Health Sciences funds flows to campuses. CFO Brostrom noted that these flows vary by campus.

## **VI. SSGPDP Review**

### *1. UC Los Angeles Master of Science in Data Science in Biomedicine*

Professor Weber reviewed this program. It is an alternative to UCLA's state funded PhD program in Computational Medicine, intended primarily for students pursuing an academic career path. The SSP would serve those who prefer to start their career immediately after completing their Bachelor's and pursue advanced training while working.

The program is online, with a few options for students who wish to take in-person classes. The outlook for data scientists is extremely positive. The program will cost approximately \$42,000, with expected salaries between \$90,000-120,000 annually. The projected break-even timeline for the program seems optimistic, with a more probable timeline of four, rather than two, years. The cost projections appear lower than true costs, and rest on low salary projections. The RTA has been calculated coming from the revenue side of the program.

There is a stated plan to advance diversity, yet the program notes that on-campus data programs experience difficulty attracting a wide range of students. The online instructional model is offered as a way to avoid crowding state-supported programs.

- A UCPB member pointed out that the 10 percent stated as a cost to advance diversity is actually the RTA percentage.
- Concerns about online programs' low rate of completion and potential impact on underrepresented students were raised. The reviewer noted that the skills taught in this program should translate well to online delivery. UCPB agreed to ask for completion and benchmark data for program review.
- Ethics instruction appeared to be lacking to one committee member, and UCPB will raise a concern regarding this instruction.
- IT support cost projections seem low for a program such as this.

**Action:** UCPB agreed to approve the program and send a memo noting concerns and approval to CCGA.

## **VII. Systemwide Senate Review Items for Optional Comment**

UCPB reviewed the Report of the Negotiated Salary Trial Program (NSTP) Phase 2 Taskforce. The NSTP allows faculty to negotiate additional salary paid for from non-state funds, and is active on six campuses. The task force recommends making this trial program permanent and extending its availability to all UC campuses.

The reviewer noted the caveats presented to the program, including not addressing salary scale issues, not shifting costs to campuses, not allowing campuses to ignore equity issues. The reviewer wished to see the establishment of a review program and schedule, including the articulation of metrics, to ensure that the policy adheres to the principles outlined above and to any other features deemed important to the success of the NSP.

**Action:** UCPB agreed to support the recommendation to make the NSP permanent.

## **VIII. UC Health Working Group Update**

Professor Steurer presented the UC Health Working Group's work thus far. The group articulated an overarching principle of cooperative work; there is no antagonism between campuses and UC Health. The relationships are highly synergistic.

The overarching ask for the Working Group was to describe the "financial relationship between UC Health/Medical Centers and the Campuses." They focused on the financial interaction between UC Health and the Schools of Medicine. Future work will contain more detail, and is projected to continue until 2023-24. Schools of Medicine were chosen because they represent the largest portion of the exchange of funds and labor between UC Health and campuses.

UCLA had attempted a redesign of funds flow, but that attempt was met with opposition and can be illustrative of the pressures involved in efforts to improve clarity. At UCLA, concerns were expressed that UC Health prioritized healthcare delivery over the academic mission of the David Geffen School of Medicine (DGSOM). The workgroup concluded that the largest percentage of what is counted as a transfer of funds reflects the costs of "shared services" in clinical settings outside of the hospital. A detailed model of funds flow does not exist, and there appears to be little accountability to central administration, Dean and faculty of the DGSOM, and the academic senate.

UCSF's funds flow system is the most well-known one. It is the result of engagement in a redesign of the financial relationships between the medical center and clinical departments in 2012. UC Health is a single point for intake of all revenues and the singular payer for all health system expenses. Payments are arranged via a tier system. UCSF has initiated a review of the model in 2021 in order to identify which parts work well and which need changes.

Due to its location in the medically underserved region of inland southern California, the UCR SOM was founded with a specific mission to train a diverse medical workforce to serve in the area and to deliver programs in clinical care and research to its diverse community. UCR does not have its own hospital at this time; therefore, it partners with regional hospitals and providers to provide clinical training sites for its students and resident physicians.

In 2019, a report indicated that UC Riverside's SOM had been underfunded. The UCR SOM subsequently completed a "Strategic Plan for Sustainability" designed to help address the operating deficit of the school at its current size and to otherwise better position the UCR SOM going forward. However, even with successful implementation of the plan over the next five years, \$25 million in additional annual operating funds from state sources would be needed to enhance the current educational, clinical and research programs and to support future enrollment growth. The state authorized one-time appropriations in 2019 and 2020, but without a hospital, UC Riverside's SOM

does not have access to the kind of revenue found at other campuses. A 2021 allocation of \$35M means that with the additional \$25 million in annual operating support authorized in the State Budget Act of 2020, the UCR SOM's ongoing state funding now totals \$40 million. The funding model has moved from a block allocation model to one split between Revenue Generators and Service Providers. The allocation of funds to the departments is at the discretion of the Deans. Thus revenue from the various sources now flows directly to the revenue generators. Service providers generate indirect expenses which are allocated to Colleges and self-supporting units following a step-down methodology.

The UC Health systems all have funds flow practices in place that appear to share several similarities. Departments must structure clinical compensation for the faculty such that they have funds left to cover research and education. This portion can create tension between the differing missions and stakeholders: the academic mission is of utmost importance, as it not only defines UC at its core but also the faculty (both clinical and non-clinical). It is also what elevates UC above non-academic institutions – not only in name, but also by attracting some of the best clinicians. This directly serves the patients, the medical centers, the university, and the state. Codifying it and creating more visibility/transparency around this point would likely serve all stakeholders well.

The working group will pursue information of funds flow at all levels over the next two years. They hope to determine whether a common standard for all UC Health sites would be useful.

- Discussion noted that funding for UC Merced will be critical, as UC Riverside's experience shows.
- It was reported by the committee member looking at UCLA that three different numbers were received in response to a single question of funding. Accurate accounting and transparency are challenging there.
- Common definitions are lacking – the labels for costs and revenues shift, not only between UC Health centers, but over time. A lack of communication between those managing financial accounting and those providing care exacerbates a lack of transparency.

## **IX. Faculty Hiring Report**

Professor Neuman presented the findings of the Faculty Hiring work group. Senate Chair Horwitz had asked UCPB to analyze faculty hiring across UC campuses, specifically with respect to Lecturers and Senate faculty in winter of 2022.

Seven campuses have seen the percentage growth of Lecturers exceed the percentage growth of Senate faculty: UC Los Angeles, UC Berkeley, UC Davis, UC Santa Cruz, UC San Diego, UC Riverside, and UC Santa Barbara. Three campuses have seen the percentage of Senate faculty growth exceed the percentage of Lecturer growth: UC Irvine, UC Merced, and UC San Francisco. The greatest growth, systemwide, has been in the MSP Senior Professionals category.

Systemwide, UC has seen its Lecturer ranks grow by 49 percent compared to Senate faculty, which has grown by only 18 percent. The campuses that have seen the greatest student:faculty ratio increase from 2010/22 to 2020/21 are UC Davis (with a 14 percent increase), and UCLA (11 percent increase), and UC Berkeley (10 percent increase). UC Berkeley and UC Los Angeles appear to have the

strongest negative correlations between increased Lecturer growth relative to Senate faculty growth and increased student:faculty ratios.

The work group shares concerns that while lecturers are often outstanding teachers providing a critical component of the UC mission, diluting the role of faculty runs the risk of diminishing student access to faculty actively engaged in cutting-edge research.

- Discussion included the idea that staff growth, including separating student-facing from non-, would be an appropriate area of investigation for the work group.
- It was noted that enrollment funding does not fund research, and creates structural funding problems.

## **X. Campus Updates**

UC Davis has a new Vice chancellor of Financial Operations and Administration. The campus no longer requires COVID testing but continues a symptom survey on campus. There is a salary equity task force report planning how to spend the equity portion of faculty salary increases, including adjusting off-scale salaries. The CPB reviews each school's budget and has been working to engage FECs.

UC Irvine has received a preproposal for a new School of Population and Public Health. The campus Senate is pressing to have formal input on guidelines for large gifts. Three year SSGPD reviews are beginning.

UC Los Angeles's CPB plans a more active role in coming years. The incoming chair of the committee is a member of the School of Medicine. There is an acting CFO on campus.

UC Merced is having a contentious discussion regarding the Gallo School of Management pre-proposal. The school would be made from parts of existing schools, so discussion about impacts on programs not brought into the SOM continue.

UC Riverside's faculty received a budget model presentation. The new budget model did not reallocate funds, but created new models for governance, including decision making power of FECs of schools and colleges.

UC San Diego continues to push the administration to increase public transit subsidies for faculty.

UC San Francisco's Parnassus building received Regental approval.

Prepared by Stefani Leto, Analyst  
Attest, Kathleen McGarry, Chair  
The meeting ended at 3:52 p.m.