



## UNIVERSITY COMMITTEE ON PLANNING AND BUDGET

### Minutes of Meeting

1 April, 2025

**In attendance:** Tim Groeling (Chair), Robert Brosnan (Vice Chair), Pheng Cheah (Berkeley), Mitchell Sutter (Davis), Alyssa Brewer (Irvine), Monica Smith (Los Angeles), Michael Beman (Merced), Juliann Allison (Riverside), Terry Gaasterland (San Diego), Torston Wittmann (San Francisco), Francesco Bullo (Santa Barbara), Rafael Kudela (Santa Cruz), Nathan Brostrom (Executive Vice President and CFO), Caín Diaz (Associate Vice President, Budget Analysis and Planning), Seija Virtanen (Associate Director, State Budget Relations), Stefani Leto (Analyst)

#### I. Consent Calendar

**Action:** UCPB approved the agenda of April 1, 2025, and the minutes of March 4, 2025.

#### II. Chair's Announcements

- The Congress on Research noted the need to highlight the impact of UC research. There is no plausible route for any agency or philanthropic sector to fill the Federal funding gap.
- The state budget is in deficit. The prior expansion of Medi-Cal benefits by loosening eligibility requirements and extending coverage to undocumented residents has led to billions of dollars of ongoing deficits in the program. Gov. Newsom has made a request for \$2.5B of additional spending, but that will only temporarily address the issue. As the federal government tries to cut spending, there is concern that Medicaid reimbursement rates to states or funds that support Medicaid coverage for undocumented residents might be cut. If this happens, UC Health will feel the impact.
- Universities are increasingly being evaluated as greater risks by rating agencies. Harm to the UC's credit rating may diminish the system's borrowing, as well as increasing the risks of hospital expansions, which required substantial up-front expenses (including capital costs associated with required earthquake retrofitting) based on future revenue.
- At the special meeting of the Assembly, a proposal to move administrators pay increase start date to October did not pass. Separately, it was reported that two UCSF memorials extending Senate membership to faculty with more than 50 percent clinical appointments did not receive majority support in any of their campus votes and were thus rejected. The proposed motion to recommend

each campus hold a consultative vote on establishing a common calendar did not go forward because quorum was lost.

- Chair Cheung seems to think that a standard response to the assaults on the university will fail; the University and the government are most likely going to retreat to smaller footprints rather than completely restoring the way research and the UC operated. He hopes that the Academic Senate's Task Force on UC Adaptations to Disruptions (UCAD) can provide more agile responses, especially following the expiration of the Continued Budget Resolution at the end of September. There are four general topics of the group: 1) restructuring of academic programs; 2) resizing of programs and the work force; 3) recalibration of growth objectives; 4) realignment of funding sources with activities.
- Regents are still very interested in faculty discipline and are trying to improve discipline processes (particularly eliminating procedural or personnel bottlenecks that have delayed consideration of cases).
- The calendar alignment group has finished its work and the final document was fair. The current environment is not favorable for this change. Faculty was reminded to provide feedback.

### **III. Management Consultations: Draft Report of the Pathways to a Fossil-Free UC Task Force**

UCPB discussed responding to the Draft Report, noting likely impacts of the budget situation. Likely savings from energy changes need to be noted. Responses need to take into consideration likely changes to any federal funding for energy upgrades.

**Action:** UCPB will draft a response.

### **IV. Campus Updates**

Berkeley: The administration and the Senate work well together with genuine seeking of input. CAPRA serves as cover for the administration sharing bad financial information. Federal funds cuts have created a cash flow problem. Faculty Council will hold an emergency meeting on the federal landscape. The Faculty Association is having a town hall as well. Options for legal action are being laid out by the law school faculty. Faculty hopes to coordinate at the systemwide level. There are continued discussions regarding the financial state of athletics.

Davis: Some campus fiscal safety nets are disappearing. Pls cannot spend before grant money is disbursed, on award notice; the campus has removed the bridge fund program as demand has outstripped its capacity due to faculty who have lost their grants. CPB went over guidelines reviewing department and administrative budgets. At the Assembly meeting, all colleges were asked to make a list of cuts. The Provost will decide, based on the list, who can best stand to be cut. Faculty has expressed dissatisfaction with Aggie Square in additional Assembly meetings. Davis owns the land and rents the building. Assumptions for payments were based on federal funding, and that has changed. Campus voted against changing to semesters. Only ten percent of funding for noncompeting renewals from NIH has arrived on campus.

Irvine: Campus has instituted a hiring freeze (not a complete freeze, since replacements are still possible). The budget committee is addressing responses to federal money changes. The campus was listed as part of the admissions probe by the federal government.

Los Angeles: There is variability in understanding the hiring freeze and its application on campus. The executive board of the Senate wrote a message expressing concern about graduate student funding and received a non-specific letter from the administration. No good cross-campus conversation about cuts and how they might be implemented has taken place. The CFO may have presented to the executive leadership of the Senate, but CPB has no administrative buy-in or engagement or information. There is much confusion on campus, and CPB is willing to be good partners in filtering information back to the faculty. The CFO did not respond to an invitation to ask questions of CPB. There is a large disconnect between the administration and the Academic Senate.

Merced: CPB and the Senate in general have good communication with the administration and are continuing a budget reduction exercise. The exercise began with three to five percent cuts; the final percentage is unknown. CAPRA provided input on the academic affairs side. There have been no cuts to the faculty but unfilled lines will remain empty. The campus needs to increase enrollment but lacks adequate faculty to teach, space to teach in, and teaching assistants. Section sizes have increased, and campus is removing discussion sections from courses. No good solutions have been found so far. CAPRA has invited guests to learn about how the budget has been working on different parts of the campus. Energy expenses have increased; CAPRA is seeking information about that. Some academic programs are being developed and are phasing in, albeit by repackaging existing classes rather than adding new departments and personnel. The campus has less exposure to federal grants than others, despite the program developed with UCSF for the BS/MD and Prime program. The campus has had increased applications through directly asking students if they would like to be considered; the yield rate is not yet determined.

Riverside: There is a clear, staged plan for health and hospital expansion, including sites selected for facilities; however, the health enterprise was informed that there is no funding - locally or from UCOP at this time. These plans are unlikely to happen. The campus budget is grim. A hiring freeze was implemented from above. There is no plan to fill canceled grants, and funding graduate students is no longer an area of discussion for the administration. Faculty are upset and want funding for graduate students and to backfill grants. There remains a disconnect between rank-and-file faculty and the administration. The only bright spot is that the campus has a smaller deficit based on earlier cuts, like taking summer dollars back to the center and doling out a small portion. Units that had their revenue cut might be less likely to offer Summer programs in the future as a result. The biggest push is enrollment because the campus has been under target numbers for three years. That is a source of discouragement on campus because much effort was put into attracting students; lower enrollment will lead to loss of core funding. The campus needs 45,000 students to begin to address the budget shortfall and is currently 10,000 students short.

San Diego: The Senate has met with administration members, and the campus is in the same situation as UCSF, Davis, and LA, in terms of federal funds. Instead of receiving the \$56M in standard invoices, the campus has received additional questions – once those are answered, subsequent rounds of questions are issued. Cash flow is dire, and reserves could be exhausted. The best case scenario is a \$200M shortfall, next \$516, next is \$801M cut scenario on a \$10B total, \$5B without health sciences, so a \$2B core budget that only has flexibility in \$1.5B.

San Francisco: The campus has gone from surplus to a problematic budget. Administration positions are being cut, so the campus is attempting to find new places for personnel. Early retirements were suggested but funding would have to come from the operating budget. Furloughs have been considered. A new timekeeping system, MyTime, has created a stir partially because of a three-hour training requirement and all non-exempt employees will have to clock in and out. The hiring freeze is still somewhat unclear. Faculty hiring that was in process is allegedly moving forward. Letters to graduate students note no guaranteed funding. More students have accepted than anticipated, and at least one program has stopped acceptances, even if previously offered. There are no clear plans to address situations where there is no lab to accept a student, or if they are mid-project and the grant gets cut.

Santa Barbara: Budget curtailment has sped up; a memo was sent from the Senate asking the administration to make plans and they were immediately ready to implement budget cuts. The state budget forecast means a 12.95 percent cut. The cut target date is unclear, but will likely be spread out rather than by July 1. Each Vice Chancellor will prepare a preliminary plan, and academic affairs has asked for a ten percent cut plan to preserve research. There will be a joint academic Senate-administration committee which will review the proposals, make a recommendation, and present that to the Chancellors' Coordinated Committee on Budget Strategy and the Chancellor will make the decision. The new Chancellor takes office July 1, so all the planning may be redone after the new administration.

Santa Cruz: Campus has a new policy on carry-forward, severely restricting year-to-year carrying. The hiring freeze is in place; campus is reviewing the systemwide guidance and the FTE call. So far, there is not a lot of good information about what it means. The campus is already in deficit reduction; have factored in the 12.9%, and the big ideas committee has floated things like combining departments, having more presence in Silicon Valley, and streamlining personnel processes for faculty. UCSC has a five-year funding commitment for graduate students but it was just noted that it is aspirational, not a guarantee.

## **V. Systemwide Review Items**

1. Proposed revisions to Senate Bylaw 170 (University Committee on Educational Policy) and Rescission of Senate Bylaw 192 (University Committee on Preparatory Education).

The reviewer noted that the only tasks left to UCOPE are the ECC and the EMSAG; these two tasks will go to UCEP and that makes sense as delegation of placement has been

sent to campuses. One concern is that preparatory education in non-English courses like math and sciences may be marginalized so UCEP should monitor that. Placement exams exist for some sciences and perhaps other disciplines.

2. Proposed revisions to Presidential Policy BFB-BUS-63 (Risk Transfer and Insurance Requirements).

The reviewer pointed out that the indemnification of the university and the amendments lay out how exceptions would be granted. Exceptions start at the local level and move up through designated layers of administration. The resolution process seems reasonable.

3. Proposed revisions to APM 500 (Recruitment – General).

4. Community Input on Academic Planning Council’s Systemwide Academic Calendar Workgroup Draft Report.

**Action:** UCPB approved the first two reports and will send letters and assigned reviewers to the second two items.

## VI. Consultation with OP

Associate Director Virtanen noted strong support following the federal actions against the UC by the members of the state legislature, who have called for no cuts to the UC or CSU, despite the Governor’s budget plan to cut the UC by eight percent and defer promised compact funding.

State revenues are slightly above projections, but unlikely to meet the \$16.5B deficit, especially with the impact of increased costs and deferred tax filing related to the Southern California fires. California’s expansion of Medi-Cal benefits to undocumented residents has cost \$16B and depended on federal matching. The Trump Administration is apparently unhappy with Medi-Cal’s expansion and might oppose matching these expenditures. The UC as it is the second largest provider of inpatient Medi-Cal services.

CFO Brostrom met with legislators and showed them the impact of federal cuts on the UC. They expressed surprise at the depth of the impact, leading to expressions of support. The university has asked to be treated the same as other state agencies in the May revise: removing debt service or other non-discretionary spending in calculating the cuts and receiving a similar three percent cut. Uncertainty about revenues, increasing costs for the Los Angeles fires, and health care remains high.

To date, UC’s investor demand has remained strong. Moody’s has lowered the entire higher education sector based on attacks on grant funding. Previously, the UC frontloaded all refunding savings to increase liquidity for the year. Our overall exposure to the federal government is roughly \$17.3B, on a base of \$50B, so roughly 30 percent. Health is the main area, nearly \$10B in Medicaid and Medicare, which is likely to grow after the acquisitions of last year. Roughly 2/3 of UC patients are government-payer. About \$5B from research, two billion from NIH, roughly one billion from NSF. Also \$1.1B in DOE funding for Lawrence Berkeley Lab. The balance is student financial support, Pell

grants and student loans. With the proposed dissolution of the Department of Education, SBA may take over student loans, with either Commerce or Treasury taking over Pell grants.

CFO Brostrom indicated concern that selective attacks, rather than blanket actions on higher education are likely. For the federal Medicaid matching program, states are reimbursed for Medicaid expenses based on a formula that compares their per capita income to the national average, such that wealthier states like California pay a higher proportion than poorer states. The current formula sets the minimum reimbursement rate (even for wealthy states like California) at 50 percent, while other poorer states could be reimbursed up to 83%. The floor could be lowered to 40 percent. Changes in site neutrality rules (which allow outpatient procedures to charge hospital rates) could cost hundreds of millions; changes to the federal drug reimbursement program (340b) can cost us hundreds of millions; as well as Affordable Care Act dollars. The state hopes that these changes will go through the entire budget process, rather than being dictated by executive orders.

- Discussion included questions about whether grant funding ordered to be restored has reached campuses. There are different reports from campuses on NIH grants that are refunded, only a trickle is coming to all campuses. Automatic reauthorizations are at a third of a year ago.
- Noncompeting grant renewals are being questioned. Grant dollars are not shown in accounts.
- Discussion included questions about early retirement programs like those offered in the 1990s. CFO Brostrom noted the 1990s plans were very expensive and were only possible because of huge retirement plan surpluses at the time; he would not recommend early retirement offers in the current environment due to lower retirement plan balances and the resulting budget impacts. The administration has looked at various scenarios. Steps are being taken to enhance liquidity, including approval from the Regents to double our commercial debt from \$2B to \$4B. Where possible, capital projects that do not generate their own revenue stream (such as dorms) are being deferred/delayed.
- “Orphan” endowment funds are also being examined for potential reclassification process.
- Members encouraged a FAQ for budget information.

## **VII. Self-Supporting Professional Graduate Program Proposal**

UCPB discussed the Online Masters in Preventative Veterinary Medicine and One Health at UC Davis. They noted it seemed both to be an effort to reach a wider audience as well as provide revenue for the School of Veterinary Medicine.

Faculty concerns included the use of a state-supported curriculum to create a self-supporting program, differences in quality between the proposed online program and the existing in-person program, and the possibility that the online program would either draw students away from the MPVM or dilute its reputational quality.

They suggested a distinct curriculum, different objectives, or a different name. Committee members noted that degree programs which create profits are not problematic per se but objected to this proposal and its possibility of devaluing the reputation of the existing program.

**Action:** UCPB will submit a letter to CCGA.

#### **VIII. New Business**

Committee members agreed to gather information from divisional CPBs indicating how committees meet with administrators on each campus. This could serve as an appendix to the existing Best Practices document.

Members were asked to report if reimbursements are being processed on their campus, and how often they are being submitted.

The committee adjourned at 2:58.

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