

**UNIVERSITY OF CALIFORNIA ACADEMIC SENATE
UNIVERSITY COMMITTEE ON PLANNING AND BUDGET (UCPB)**

March 5, 2024

MINUTES

Don Senear (Chair), Tim Groeling (Vice Chair), Stefano Bertozzi (alternate, Berkeley), Robert Brosnan (Davis), Georges Van Den Abbeele (Irvine), Michael Emmerich (UCLA), Kara McCloskey (Merced), Juliann Allison (Riverside), France Winddance Twine (Santa Barbara), Jill Hollenbach (San Francisco), Raphael Kudela (Santa Cruz), Terry Gaasterland (San Diego), James Steintrager (Chair, Academic Council), Steven Cheung (Vice Chair, Academic Council), Cain Diaz (Interim Associate Vice President, Budget Analysis & Planning), Nathan Brostrom (Executive Vice President and Chief Financial Officer), Todd Greenspan (Executive Advisor for Academic Planning and Policy Development), Pamela Brown (Vice President, Institutional Research and Planning), Stefani Leto (Analyst)

I. Consent Calendar

UCPB approved of March 5 agenda and the February 6, 2024 minutes.

Action: Approve items

II. Chair's Announcements

An earlier report on sources of doctoral support identifying various sources of funding had some anomalies in the data; UCPB hopes to receive an updated report. It would be wise to widen administrators' understanding of doctoral funding sources and dangers of reliance on extramural funding before the next round of contract negotiations.

The Academic Planning Council (APC) and the Budget Committee both met this week. Graduate enrollment has declined this year from last year by roughly 1500 students, although unexpectedly the majority of the decline is among Master's students. UCPB will discuss graduate enrollment trends and expectations today, as well as undergraduate enrollment within compact requirements.

The APC task force on teaching modalities is intended to rely on hard data regarding outcomes in its assessment of alternate teaching modalities as the University moves closer to considering fully-online degrees.

The state budget deficit is a revenue-driven problem that has swung by about \$300M over the past two years, according to President Drake. The state tax base is heavily dependent on capital gains from the top few percent of earners, home sales, and IPOs. UCPB needs to ask CFO Brostrom about his recent comments that might be interpreted to suggest that OP is softening its previously stance in favor of full implementation of the salary plan for faculty and policy-covered staff.

UCOP is working on annual renewal of its insurance programs with brokers in London. The risk profile has changed in some lines due to hospital acquisitions and attendant workforce makeup changes. Kevin Confetti, Chief Risk Officer, will come to UCPB next month.

Individual members commented that:

- NIH funding is down, which may doubly impact PIs.
- Rumors of the state and NOAA recalling unspent funds have also circulated on campuses.
- The Irvine provost has blamed the salary plan for a doubling of the campus structural deficit. It is a possibility that Provosts and Chancellors pushing against a salary increase to help their budget deficits. No other campuses have been reported as claiming this. However, unfilled positions will remain unfilled on some campuses. UC Santa Barbara and UCSD have been using salary lines from unfilled positions to backfill shortfalls in revenue.
- UC Irvine's Chancellor explained that purchasing hospitals will in time solve the campus deficit, despite the up-front costs. It is possible that hospital acquisitions are being presented as solutions to budget challenges. The lack of clarity regarding UC Health funds flows makes substantiating these claims difficult.

III. Senate Leadership Consultation

Chair Steintrager updated the committee on ACA 6, a proposed constitutional amendment that would impose labor regulations on the university. The bill has been replicated in three identical proposals of which the first, ACA 14, will come up for committee review next week. These bills would require the UC to adhere to labor regulations mandated for state employees, which do not align well with faculty and graduate student labor practices. In addition, these bills represent serious incursions against the University's constitutional autonomy. Council has been writing an opposition letter.

The Senate Assembly voted to table a vote on proposed changes to Bylaw 55 (voting rights) and spent time learning about the different views toward the changes. Some faculty believe that the Teaching Professors represent different kinds of expertise than those in ladder series. Bylaw changes require a supermajority of the Assembly to amend.

The Regents rejected the proposed change to Senate Regulation 630E, requiring an in-person component to the student experience. WASC, the accrediting body, requires all programs in which a student may take a majority of courses online to undergo a substantive change review. Divisions are encouraged to mandate divisional senate review of these changes on campus. Leadership's concern regarding 630E is less about the Regents' decision and more noting the pattern of Regental action disregarding Senate input and shared governance, as in the previous standardized testing decision. A Presidential instruction modality task force plans to evaluate a wide array of options, including economic analyses of the viability of delivering UC quality courses. Pilot programs that could be evaluated may be a key recommendation. Draft principles for online courses may provide a set of guidelines for future programs. One idea is that students coming through these programs would be transfer-ready to the UC, and that they would be provided with the equipment they would need to succeed. Controlling the delivery platform is a key goal for the task force. Campus access is considered a key component of UC educational quality – students participating in a scholarly community as well as having access to health services, gyms, and other campus amenities that are key components of student life.

- A question was raised asking why the years of pandemic remote teaching have not answered questions of whether remote instruction provided the same quality as in-person teaching. The pandemic imposed an immediate change to remote instruction; proponents of online education argue that planned online instruction is different from that forced by circumstances. Investigating all permutations of remote learning is part of the task force's charge.
- Online education seems to be a money maker for other institutions, although their instructors are generally provided with generous funding to develop these courses.

IV. Campus Reports

UC Berkeley has responded to cutbacks by removing funds from central administration rather than units. Central funding of GSIs will continue. Uniform increases to faculty salaries across the board exacerbates existing inequalities – limiting COLAs to average salary across campus would reduce them. FTEs are controlled centrally, so all are funded. Undergraduate student housing capacity is possibly the worst in the system, with additional difficulty faced by faculty, staff, and graduate students. The campus faces enormous seismic and deferred maintenance costs, which are increasing year over year. Graduate students are increasingly unaffordable for professors, so other options are professional employees, GSRs becoming post-docs, etc.

UC Irvine's structural deficit has doubled to \$60M. Some of the administration has pointed to the faculty salary plan as the culprit.

Los Angeles' centralized offer letter system has delayed offers, disrupting graduate recruitment. The financial management system continues to present issues. Central funding was promised to cover additional TA costs and has been received by departments. Increased GSR costs are not being covered by the central administration. No faculty have applied for funding because of a requirement that they demonstrate that they have no funding available that could be redirected to this purpose. The senate is requesting that the administration conduct regular reviews of administrative units.

UC Merced's staff issues stem from staff kept in central administration rather than in departments. All deficits have been pushed to departments, impacting the quality of education provided. That budget did not include faculty salary increases. In addition, benefits are charged at the full amount for part-time lecturers, despite pushback by Deans.

San Diego had a labor grievance mediated by OP and determined that they had to place students on Step 6. All Bio programs were previously put at 43 percent of Step 6, and OP mediated a 50 percent stipend for Step 6 for the spring. Each of them will cost \$165,000 for spring quarter, continuing in the summer. Students are threatening to grieve if they are subsequently reduced from 50 percent. If they are forced to keep them at 50 percent, the total cost will be \$700k for the year. Salaries are already above the NIH cap. New students, over whose steps they have control, are being aggressively recruited. Incoming student rates will be \$400k, so the Step 6 students will have to be moved through the program so they can be replaced by lower cost new ones. The campus assumes that no state funding will be provided by the compact and is instead cutting budgets. A four percent cut will come out of salaries. Faculty are exploring different salary approaches through grants.

San Francisco has had funding problems with grants and faculty may not hire graduate students if they cannot afford them. Defining work for graduate students has led to plans for each student to have a syllabus defining work expected, hoping to prevent grievances by students. The campus is charging PIs for many items that cannot be charged to grants, dipping into their discretionary funds for these charges.

Santa Barbara released a staff welfare report to the CPB last October. The campus has significantly fewer staff relative to other campuses. Salary and classification differences have generated inequities with staff in some units significantly underpaid compared to other divisions on campus, and definitely beyond the campus. The former has led to loss of staff to other departments that can reclassify positions. Because labor costs are pegged to local labor costs rather than cost of living, and Santa Barbara has few competing employers, the campus is losing staff to other UCs, especially through remote work. Staff departures represent a large loss of institutional memory, impacting student services as well as grants administration. Because the report was commissioned by two departments, a wider campus-wide study would be helpful. Housing pressures exacerbate the already difficult situation.

Santa Cruz has a division resource model. CPB is looking at amounts of carry-forward for departments. A pilot program proposed by the grad division for summer funding for doctoral students has been diminished and will only support a handful of students. Cost recovery will change under the division resource model.

V. Discuss LAO February Brief on the UC 2024-25 Budget

The Legislative Analysts Office (LAO) (overseen by the Senate budget committee) is tasked with giving non-partisan budget analysis to the executive branch of the state government. This body recommends rejecting the governor's plan to defer increases mandated by the compact with a promise to backfill in the next budget year, but asks the University to continue with the requirements of the compact without the guaranteed funding. The University has also been asked to pause any capital projects not yet underway. No costs for pausing any contracts are acknowledged by the state, only a plan to pull back unspent project monies.

A large increase in debt service already faced by the UC will increase greatly under the LAO's plan. Most debt service currently is UC Health-related, but still UC debt. The return-to-aid (RTA) percentage attached to cohort tuition increases may need to be revisited. This is generating larger amounts than necessary to fund existing student financial support. The level of RTA is set by the Regents, so a change requires only Regental, not legislative approval.

No penalty for increasing non-resident students exists in the plan – the University may wish to consider increasing the percentages of such students. The LAO's proposed changes make any future funding guarantees much less reliable from the state. The LAO's report also cites high net staff growth since 2019, but the chart used shows no net staff growth other than for UC Health since 2019.

If the UC uses reserves to fund operations and funds are cut by the legislature in the future, money is lost. If the University does not increase students, penalties for not meeting the requirements of the compact will be levied.

- The report projects a long-term decline in high school graduation numbers in the future. Demographic trends suggest increasing difficulty to meet enrollment targets,

nor can we admit greater numbers of out-of-state students to fill the numerical or financial gap. UC-ready CA resident students will decline and the university is under pressure to admit more. The report suggests that enrollments be kept flat, rather than increasing to the compact level.

- San Diego reports wide-ranging benefits from enrolling non-California students. The UC system is ideal to draw the best and brightest from across the country and world. If we reached for undergraduates the same way we did with graduate students, and gave them a pathway to residency, we would attract high-quality students. On the other hand, if the best students are California residents, they would naturally float to the top. This might also answer some of California's demographic concerns.
- Yield rate changes as well as growing gaps between numbers of applicants versus admits are worth investigating. Perhaps increasing transfer numbers (difficult because of decreasing community college numbers) would help. The UC is below the 1:2 ratio demanded by the legislature and compact.

VI. Budget Consultation with UCOP

Interim Associate Vice President, Budget Analysis & Planning Cain Diaz noted that lower revenue projections for tax year 2023-24, have led to a \$38B deficit in the January budget plan; should the lower projections continue through 2025, the shortfall will balloon to \$58B or more. The budget is based on collections through 2024, so tax data from 2024 will provide a better sense of what shortfall is most likely. Budget projections cover three years of returns, both actual and projected.

CFO Brostrom noted wider effects on the University of the state budget shortfall, including decreasing funding for the middle-class scholarship program, the California volunteers (currently helping roughly 3000 UC students), and the student housing revolving loan fund. The UC can move forward with housing projects albeit with greater difficulty due to losing the zero percent loans provided previously by the fund. Fortunately, much of the capital provided to the university is already committed, since the legislature is considering a claw-back for unspent funds. The University still enjoys high bond fund ratings.

The University held bonds from the Obama-era Build America program, whose subsidy to making them competitive with tax-exempt bonds, was threatened by changes in the tax code. The change in tax status was determined to be a material change, allowing UC to retire the bonds and refund on a tax-exempt basis. This has generated a large savings in cash flow as well as eliminating the risk that the subsidy would be eliminated.

Campus core funds reserves include very little uncommitted amounts, despite the LAO referring to them as uncommitted funds. Most of those funds are designated or even encumbered for specific campus programs.

If the legislature does not agree with the governor's plan for a deferral of funds under the compact, i.e., maintain the promise to backfill in the next budget year, the university can consider the compact to be breached. This would allow it to consider other pathways, such as increasing NRST. However, NRST may already be close to what the market will bear and cohort-restricted (i.e. any changes would only apply to each entering class, not current students).

No final decisions have been made regarding earmarks, although scenarios of various plans have been provided to the Earmark Review Committee. Once the actual state funds allocation is known, final decisions should be made. Changed student weights has complicated budget planning, including consideration of any changes to earmarks.

Proposition 2, which originated the Rainy Day Reserve, noted that a certain amount of funds should be used to buy down liabilities, including the pension fund. The University would like to buy down the unfunded liability, although the University has a better funding ratio than CALPers.

A comprehensive review of health benefits to identify potential efficiencies might help mitigate increasing health costs. Better medical center rates for UC members would increase uptake, perhaps using Medicare rates as a model. UC employees will not increase their use of UC Care without lower prices. The university would have to have their rates subsidized or else it would be a net cost for the UC. Expanding the UC Health hospital footprint may help drive greater access for UC members. The 2030 earthquake safety upgrade requirements have been factored in projecting UC Health costs.

Modeling a zero-budget increase is a helpful exercise for scale and understanding impacts, including earmarks and enrollment planning. The LAO has modeled impacts based on disruptions, and recommends that making hard budget decisions earlier is better than later pull-backs. Belief in future funding is decreasing among the UC administration.

- Language in the LAO report about the director of finance reducing UC funding if enrollment goals are not met is part of the original compact. Language authorizes the Department of Finance to reduce the allocation if the university does not meet its targets, allowing such action without additional legislative action. This has not previously been implemented, it is standard language and likely to have been included as a reminder of the legislative ability.
- The deferral proposed by the Governor is a promise he cannot realistically guarantee. However, the proposal is seen as a better deal than other state agencies are getting. Most of our funding goes to salaries, so an increase in salaries while other agencies are experiencing cuts would be viewed negatively.
- The UC is in a lose-lose situation, encouraged to spend monies from reserves in lieu of deferred funds that are unlikely to be disbursed next year, but being held to an expensive compact. However, the compact's only immediate budget impacts are enrollment-related. Other requirements of the compact are goals the university has proposed independently and is already implementing, such as closing graduation gaps, etc.

Self-Supporting Degree and other Proposals for Review

UC Irvine School of Population and Public Health

This was reviewed as a pre-proposal by UCPB and comes back in full form now. The proposed school will address healthcare needs in Orange County, the region and the state. The existing departments involved are in good shape currently, and the proposal will continue these programs and increase their capacity. Much proposed income will come from professional (MPH) and self-supported Master's programs.

Question about ICR? Perhaps a campus program that will return more to units. The program appears to be supported if the financial assumptions are met.

- This will have a negative impact on other campus' programs in direct competition to it. Central planning would help with this kind of systemic issue.

Upcoming Reviews:

UC Davis Master of Engineering in Medical Device Development

Assigned to Professor Gaasterland

UC Davis Doctor of Nursing Practice – Anesthesia

Assigned to Professor Twine

UC Irvine Master of Science in Business Analytics

Assigned to Professor McCloskey

UC Irvine Master in Management

Assigned to Professor Emmerich

Action: UCPB approved the UC Irvine School of Population and Public Health by consensus and assigned new reviewers to pending proposals.

VIII. Consultation with Institutional Research and Planning

Todd Greenspan, Executive Advisor for Academic Planning and Policy Development and Pamela Brown, Vice President, IRAP briefed UCPB on enrollment trends and outcomes. Fall, 2023 had the UC's largest undergraduate enrollment of 233k students (FTE), including a record number of CA residents. Factors contributing to the expected 2023-24 enrollment included a rebound in credit units; increased number of new transfers, and increased one-year retention, in addition to the increase in new freshmen enrollment (by 2086, still below the compact target). The UC offered admission to 17% of California high school graduates, well above the Master Plan's target of 12%, as has been the case for many years. Currently, 2024-25 enrollment plans include enrollment of 925 freshman (by headcount) above 2023-24 estimates, plus an 933 additional transfer students.

Graduate enrollment has decreased in academic doctoral and academic masters programs by almost 1,600 students. Academic masters program enrollments have been volatile in rebounding from a pandemic-era dip. Continuing graduate student numbers are relatively flat. New student admissions to doctoral programs reflect a cautious view by campuses. Doctoral students are typically admitted department by department, confounding a systemwide approach. Campuses are not providing more support for increased graduate costs, and there are concerns that there will be greater reductions over time. However, VP Brown notes that graduate student growth projections always noted that non-academic PhD programs were the expected growth areas.

The UC is substantially below the AAU competitors in numbers of graduate students, especially doctoral students. This does not seem to alarm the administration. Growth in state-supported graduate programs has clustered in the STEM fields.

- The grow your own program seems to conflict with generally accepted academic goals (cross-pollinating among institutions). International students' issues during the pandemic created a clear effect on enrollments. UCPB suggested that the UC should be picking the best of all graduate applicants, not only the best Californian applicants.
- Increasing on-time undergraduate graduation increases the numbers of students likely to pursue graduate education.

Prepared by Stefani Leto, Analyst
Attest, Donald Senear, Chair
The meeting ended at 3:58