

Minutes of Videoconference Meeting**May 2, 2023**

Donald Senear, (Chair), Marc Steurer (Vice Chair), Heather Rose (Davis), Alyssa Brewer (Irvine), Andrew Leuchter (Los Angeles), Kevin Mitchell (Merced), Peter Atkinson (Riverside), Michael Provence (San Diego), James Rawlins (Santa Barbara), Dard Neuman (Santa Cruz), Susan Cochran (Chair, Academic Council), James Steintrager (Vice Chair, Academic Council), David Alcocer (Associate Vice President, Budget Analysis and Planning), Nathan Brostrom (Chief Financial Officer), Seija Virtanen (Associate Director, State Budget Relations), Cain Diaz (Director, Operating Budget), Carrie Byington (EVP, University of California Health), Zoanne Nelson (Associate Vice President of Finance and Administration, UC Health), Todd Hjorth (Director of Finance, UC Health), Stefani Leto (Analyst)

I. Consent Calendar

UCPB approved the agenda for May 2, 2023 and the minutes from April 4, 2023.

II. Chair's Announcements

Chair Senear reported that the Provost has focused on various approaches to increase enrollment at the UC, including growing summer and remote enrollment, without acknowledging the increased number of ladder-ranked faculty needed to teach additional students. He asked UCPB to endorse sending a letter enclosing the 2022 UCPB Report on Faculty Hiring to Provost Newman. UCPB agreed to send the report and a letter outlining their concern regarding plans for adding undergraduate students without adequate new faculty hires to Council to send to the Provost.

Professor Mitchell reported on the UC MEXUS Multi-Campus Research Unit (MRU) review. UC MEXUS has funded research collaborations and graduate and postdoctoral fellowships. The program has been effectively absorbed into UC Alianza MX. The UC MEXUS program had received the majority of its funding through the Mexican government (CONACYT), but subsequent to the expiration of the agreement in 2020, this funding has stopped. Alianza is working to secure funding from individual Mexican institutions. Alianza is centered at UC Riverside, which receives set-aside funding for its operation. Awards to students have been spread among campuses, but UC MEXUS does not create multi-campus research opportunities. UCPB agreed that either Alianza is of value to the UC and should continue, but that it should either create true cross-campus efforts or cease the MRU designation for UC MEXUS.

Professor Brownstone, chair of TFIR, reported on efforts to have a total remuneration study performed through HR. An experience study of the pension fund has been

performed but TFIR has not received preliminary results as they had in prior years. The University has not changed the default of pension choice for new hires to savings choice, nor has the retirement choice model created by TFIR been widely disseminated or included in new hire information. Assembly Chair Cochran noted that UC staff organizations would be natural partners for TFIR in this effort.

III. Consultation with Senate Leadership

Chair Cochran announced that Steven Cheung will be the next Vice Chair of the Assembly.

The Regents discussed aspirational recommendations from their workgroup on UC 2050. This reimagines how and where the UC exists and functions and how it will deliver education. It proposes that UC should go where students are, via online learning, satellite campuses, and local research parks. The 2050 report does not address the costs of the technology and infrastructure nor number faculty needed to create such a system. The legislature continues to press for admitting ever-higher numbers of undergraduate California students.

The legislature would like one path for transfer to both UCs and CSUs. The governor would like 70 percent of Californians to have education beyond high school, a substantial increase from the current 55 percent. AB 928 (2021) is intended to facilitate this by mandating a common pathway for transfer from CC's to UC and CSU. The UC continues to maintain that its requirements for transfer, in particular math requirements, are crucial for student success at the UC. Insisting on an identical UC-CSU transfer pathway including UC math requirements will make transfer to the CSUs more difficult. The Senate continues to educate lawmakers about UC requirements and their importance for student success.

A joint Senate-Administrative Task Force on the Future of Doctoral Education has taken up the question of reconfiguring graduate education in the context of represented students. One effect of the labor agreements is that the UC is unlikely to meet stated admissions goals for graduate students.

- UCPB members noted that student feedback about online education has been uniformly negative; the counter argument offered is that this is solely due to pandemic side effects, and that planned online classes are better.
- Online education will mean UC would offer a bifurcated quality experience: some students will receive direct instruction from ladder-rank faculty while online students will have classes often taught by lecturers. Chair Cochran noted that while the Regents want "UC quality" online courses and majors, it is undefined. Senate leadership is promoting evidence-based evaluation of online instruction and learning.
- A member asked if the future of doctoral education will rest heavily on self-funded students, with implications for equity and the future professoriate. In response, it was noted that the goal of future faculty diversification will require additional funding to avoid that only the financially advantaged receive doctoral education.

IV. Health Workgroup Update

Vice Chair Steurer reported that the workgroup has gathered information from each of the five health sciences campuses with attached medical centers regarding faculty input on governance related to financial decisions, budget decisions, strategic calls, and UC Health.

- UC Davis' Faculty Executive Committee has good input into these topics through the Senate chair. The budget committee reviews budgets and decisions move upward through the Provost.
 - The UC Irvine report is forthcoming.
 - UC Los Angeles is focusing on three challenges: the growth of UC Health which has shifted the balance heavily towards clinical faculty which has had the effect of diluting the educational mission; funds flow between the health center and the medical school remains sufficiently unclear to prevent a clear understanding of whether or how those funds support the educational mission; governance structures are unclear, and faculty do provide little input into governance.
 - UC San Diego's report is forthcoming.
 - UC San Francisco's budgeting lacks input from the broader faculty. The School of Medicine's budget process is transparent and there is Senate input. In the past, the local budget committee had a presence in the Chancellor's committee, but it required substantial faculty time and faculty presence on the committee has faded. Another challenge facing committee service is that positions rotate, making institutional knowledge difficult to maintain. The medical center has no Senate input, and faculty input only at the department level.
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- A committee member noted that Schools of Medicine can be dominated by Deans and follow a top-down hierarchy. SoM Faculty Executive Committee stipends are paid by the Dean's offices. Their independence can be limited as a result.
 - A member asked if the authority delegated to FECs is not being exercised, does that authority return to the graduate council? It was agreed that the question should be asked.
 - Members wondered to what extent the clinical mission is fulfilling the educational mission of the UC, noting that clinical faculty in off-campus, satellite clinics, are hard-pressed to teach or do research. If health center funds pay for clinical faculty to the exclusion of faculty performing all three parts of the UC mission, it may harm the wider mission of the University. If funds flows were clearly visible, the effects of growing the health delivery arm would be visible.
 - One member pointed out that the independence of each campus' health center works against central understanding of those questions. A culture of faculty engagement must be built.
 - A member noted that the Riverside School of Medicine costs more than it brings in; without a UC Riverside hospital, the community partnership model

has not worked. Building a hospital there is prohibitively expensive. When the special funds that have been supporting the SOM end, it will be underfunded.

- CPBs on campuses are the place to begin the discussion of the business of medical centers on campuses. This represents a large shift in their work.

V. **Proposed Self-Supporting Degrees for Review**

Professor Rose presented her review of the UC Berkeley Master of Biotechnology (MBT) degree. She noted that market analysis supports the utility of the one-year business and science degree, even though the business education is less than a similar two-year program at UC Irvine. A lower time commitment for the degree may appeal strongly to employed students wishing to spend as little time as possible out of the job market. Both the review and the committee noted some financial concerns. The program is supplemented by \$1.2M grant funding (only ca. 2/3 rec'd to date) and should become self-supporting by its fourth year. However, higher salaries required by the new GSR represent a cost not yet accounted for in the proposal. The program will pay the offering departments for elective units in state-sponsored courses taken by MBT students. This does not appear to have a negative financial effect on state supported programs. Ladder-rank faculty will be bought out of their courses to teach in the MBT, so a slight diminishing of state supported students' contact with research faculty may ensue. The program appears to follow a standard MOU for the Berkeley campus, with no faculty receiving more than a 50 percent buyout. The program's return to aid is higher than most self-supporting programs at 25 percent. The program has plans to use this to offer need-based funding to California URM. A member of the Department Equity Committee will serve on the admission committee, further supporting the program's commitment to diversity.

- Committee members noted some sloppiness in the proposal and expressed a desire for improved financial reporting templates to improve self-supporting program proposals.

Action: UCPB recommends approval of the proposal

VI. **Budget Consultation with OP**

Budget Director Alcocer is retiring; Cain Diaz will replace him as Interim Budget Director.

The workgroup on set asides is expected to be formed this summer with representation from each campus. General agreement is that fewer set asides would be beneficial, but there is no guarantee that additional ones will not be approved. Changes are expected to be phased in starting in FY2024. Currently, plans to add a 1.5 weight for undergraduate students from LCFF+ high schools and for restricting the weight of 5 to medical students only have President Drake's support. There is general agreement that enrollment should remain the primary driver state funds allocation to campuses under the Budget Allocation Model (previously rebenching)

The legislature's emphasis on ever-increasing undergraduate enrollment numbers indicates that the different roles played by the different segments of California higher education are neither understood nor respected. Discussions with legislators will ideally create strategic enrollment plans and clarify what parts of the master plan for education will be carried forward.

Campuses have been asked to resubmit enrollment plans with increased numbers of undergraduate students. To accommodate more students, ideas such as increased summer enrollment and incentivizing students to take more units have been suggested. The legislature currently hears from many unhappy parents whose UC-eligible students were not admitted to their campus of choice, yet their calls to expand eligibility for UC admissions would lead to lower percentages of applicants receiving admission. Growth in graduate enrollment under the compact calls for an increase of 2500 students; newly submitted campus growth plans account for only 1900 students; a gap of 600 students. Most of this growth is expected to be at the masters level.

President Drake had positive interactions in meetings with legislators. However, the pressure for the UC to increase numbers of undergraduate students has not diminished. The legislature has developed plans to begin negotiations with the governor's office to reconcile their preferred budget plan with the governor's budget plan. The legislature's plan includes the five percent increase in base budget funds for the University, plus funding of additional priorities. It includes moving forward with some plans the governor had proposed delaying, and using a combination of state budget reserves and increased tax revenue from the rollback of some Trump era corporate tax credits to balance the budget. The Legislative Analyst Office has recommended that the legislature pull back funds already given to the UC for enrollment growth because the University has not met its enrollment target. A near final budget should be realized in late July, following negotiations, with additional trailer bills expected into the fall.

- A committee member asked if a reduction in graduate student enrollment would pressure the legislature to alter its unilateral focus on undergraduate enrollment. The response noted that the University needs to be more proactive in convincing the legislature of the importance of graduate education. The workgroup convened by the Provost to examine the model of the UC's doctoral programs in light of represented graduate students was noted.
- It was noted that many colleges are feeling the effect of the demographic change of fewer college-aged students. The UC has not been affected so far; the demand for a UC education remains high.
- A question about self-supporting graduate programs counting towards graduate enrollment led to a discussion about the history of such programs and the idea that campuses could tax them to make up for diminished state support for academic graduate students. Currently, self-supporting and professional graduate students are not counted as part of the compact agreement.
- A faculty member asked about the future of funding for UC Merced and UC Riverside, which received \$51.5M, with \$31.5M of that to build classrooms,

and a promise of more over the next two years. The governor wants to delay the disbursement of those funds; the legislative budget would include them in the current budget.

VII. UC Health Discussion

UCPB reiterated that funds flow between UC medical centers and medical schools has been a vexingly opaque subject. Among the questions to ask UC Health administrators about the relationships between UC medical centers and the UC medical schools, are how many medical providers provide direct instruction to medical students, and how do plans for the future expansion of UC Health contribute to the academic missions of the University.

VIII. Consultation with UC Health

Carrie Byington, EVP, University of California Health and Todd Hjorth, Director of Finance, UC Health, gave a presentation about funds flow from UC Health to the campuses and the role and future of UC Health and the wider University. The UC trains two thirds of all medical students and half of all residents in California. Each of the five medical centers has a unique funds flow, however the majority of funds flows to the campuses are for services provided, e.g., administrative, supplies, maintenance, insurance, etc. Most funds are generated as clinical revenues and most is spent. On providing clinical services The discussion with UCPB focuses on the marginal unspent amount. There is some difficulty comparing how funds are allocated among medical centers, with each campus reporting operating expenses slightly differently.

Director Hjorth suggested that UC-owned clinics make less money than non-academic clinics because providers do not spend all their time in practice, but also have teaching and research responsibilities. The medical center subsidizes clinics to make up the loss represented by the non-clinical work done by clinicians. Although the medical centers fund very little research directly, UC Health considers this to be indirect support of the teaching and research mission. Director Hjorth and EVP Byington argued that because their salaries are paid by the medical centers, the educational activities of clinical faculty are also funded from medical center revenue. For the five health centers, excluding Riverside, about 13 percent of medical center revenue goes to support the health system in this manner. The demands on the marginal funds of the medical centers have increased, including backstop funds for faculty practice because of pandemic-related losses; inflated labor costs; mandatory seismic and construction needs; and an increase in Medi-Cal and Medicare patients, for which payments do not fully cover the cost of care.

Clinic locations are decided by campuses. There is a looming crisis in medical providers in the state, partially driven by health workforce issues, so hospitals are closing, creating healthcare deserts. Dr. Byington wants UC Health to cooperate with the state to close these gaps and provide UC quality healthcare statewide.

She noted that UC Riverside and UC Merced are not ready for independent hospitals or medical centers, and that the cost to build hospitals is extremely high. The Riverside “community based” model, where the medical school partners with a non-UC hospital, has presented its own challenges including outside hospital chains who will pay for resident supervisions, which UC does not. UC Merced is admitting medical students now and must solve the question of clinical access in four years. They have not signed any partnership agreements or identified future partner hospitals. The hope is that the UC will incentivize medical personnel to move to underserved areas as well as creating health service jobs, rather than paying hospitals to train residents. Such partnerships require roughly \$100M per year, and neither are at that level. Currently, they both have multi-million-dollar losses each year. Their problems cannot be solved at the campus level, which has been the model in UC Health, but must be addressed at the system level.

Budget Director Hjorth offered to come back in a year’s time and report on the deep dive into UC Health funds flow to UCPB.

- UCPB asked how we distinguish between clinics supporting the educational mission of the UC and those purely providing healthcare to California residents. Dr. Byington noted that there is not clear information about the mix per clinic.
- A member asked if the Medicare/Medicaid reimbursement for the Office of General Medical Education (OGME) were broken out from other costs. Some clinics operate like private medical providers, and they would not receive these funds, but would be self-supporting after start-up. Clinics in some locations might not be profitable, based on their payer mix. UC Health does not distinguish in provider salary based on payer mix; the intent is to make physicians “blind” to the insurer for the patient.
- A member noted that it appears the UC has taken on the responsibility to provide health care for the state; can the state take on the responsibility to pay for this. If the state would take on a true partnership with the UC, that would work rather than the UC taking on struggling hospitals. The UC is the only public health professional system in the state. UC Health has attempted to think strategically about meeting the health needs of the state and has communicated its plans to the state in hopes that they will carry a partnership. It was suggested that the funding model for ANR would be an analogous model for health care. Dr. Byington stated that her previous work was in a system funded by this model. We are at a time of transformation in the state.
- A member suggested that the UC Health appears to be concentrating primarily on the service part of the tripartite mission of the UC. Dr. Byington indicated that the mission of UC Health is serving patients. Medi-Cal expansion has increased the UC patient population, but the reimbursement does not cover the cost of care. This growth has created a vicious circle of a lack of beds and buildings for the number of patients. Labor costs are extremely high, and paying for the needed clinics and hospitals would be extremely costly. Currently, UC Health cannot meet all of the needs it faces. UCPB asked if UC

Health was too big, but UC Health believes it is too small; shrinking the system will shrink the margin sent to medical schools. To run an academic enterprise, UC Health has to run a competitive health enterprise as well.

- A member asked about the growth strategy and whether campus growth strategies are aligned with overall UC Health strategy. Dr. Byington noted that the role of the EVC for UC Health is not to direct campus clinic growth, but that campuses carefully consider their growth strategies. All growth is a careful balancing act.

IX. Best Practices

The campuses having FEC oversight and those that have FEC as part of the CPB (Berkeley, Davis, and Riverside) vary in their implementation of that oversight. As an example of a well-formed process, at UC Davis, budget review of each college and school has FEC input. The faculty involved attend the Provosts' budget meetings. Each budget report is reviewed by two CPB members and then is sent to the budget committee, institutional analysis, and the Provost. This practice began a decade ago and has grown. The workload is heavy for CPB in the spring but manageable year-round.

Attest, Donald Senear, Chair
Prepared by Stefani Leto, Analyst
Meeting adjourned at 3:59