I. Consent Calendar

> Approval of UCPB October 2, 2018 agenda

**ACTION:** UCPB approved the consent calendar.

II. Announcements

- **Jim Steintrager, UCPB Chair**

*Committee Overview:* Chair Steintrager welcomed UCPB members and reviewed the charge of the committee – to advise the systemwide Senate and University Administration on policy regarding budget and planning matters and resource allocations. UCPB monitors the development of the state and University budget and advises CCGA on the financial aspects of proposed self-supporting graduate professional degree programs (SSGPDPs). The committee initiates studies on relevant budget and planning issues, and may take up projects that require more in-depth reporting at the request of the Senate chair.

UCOP consultants attend UCPB meetings to gather faculty perspectives on issues, and will occasionally share sensitive and/or confidential materials with the committee. UCPB members are asked not to distribute such materials beyond the committee, but are encouraged otherwise to brief their corresponding campus committees about discussions in UCPB, and, in turn, to share information about campus issues with UCPB. Members should bring local perspectives to meetings, but also try to forge a systemwide perspective.

**ANR Task Force:** UCPB Vice Chair Kaufman will lead UCPB’s Task Force on Agriculture and Natural Resources (ANR-TF), which is charged with monitoring policies and strategic objectives concerning the Division of ANR. The roster is being populated in anticipation that the President’s Advisory Committee on ANR will soon release its report and recommendations about the future of the Division.

III. Consultation with UCOP

- **David Alcocer, Associate Vice President and Director, Operating Budget**

*Role of the Budget Office:* The Office of Budget Analysis and Planning manages the University’s annual operating budget and its budget allocation policies and methodologies. It crafts the University’s annual budget request to the State and the annual UC budget plan approved by the Regents; works with state officials, Regents, the general public, and other constituencies to make the case for UC’s budgetary needs; manages tuition, fees, and financial aid policies; and conducts longer term financial planning and analysis.
Funding Sources: The UC Medical Centers are the University’s largest funding source, comprising 32.9% of its $34.5 billion budget. UC “Core Funds” comprise $8.3 billion, or 24.3% of the budget, and government contracts and grants make up a 12.3% share of the overall budget. Core Funds include tuition and fees ($3.6 billion), State general funds ($3.3 billion), and nonresident tuition ($1.1 billion).

UC’s share of the State budget has declined over time. Between 2000-01 and 2017-18, Core Funds per student declined 31.9%, from nearly $37,000 per student to $25,000, even as tuition rose, reflecting both the decline in State funding and enrollment growth of 100,000. It is also important to note that UC’s financial aid program is funded from a 33% return-to-aid on tuition, so as tuition rose between 2000-01 and 2017-18, but so did the amount of tuition set aside for financial aid. In addition, a significant portion of Core Funds, including financial aid, are unavailable for current operations.

Expenditures: The largest Core Funds expenditures are academic salaries (27%), staff salaries (20%), and employee and retiree benefits (19%). (Senior Management salaries comprise 1%.) UC relies on a highly skilled and educated workforce who command competitive salaries. However, UC faculty total compensation lags the market relative to UC’s Comparison 8 group of institutions. The competitiveness of UC staff salaries varies by sector. Last year’s UCOP audit recommended that UCOP set new targets for its staff salary ranges with narrower pay bands based on improved labor market reference points. AVP Alcocer added that a hypothetical reduction in senior manager salaries would provide modest one-time savings, but would not address ongoing cost increases.

Political Context: In 2015, UC and Governor Brown agreed to a four-year funding framework that included 4% annual base budget increases between 2015-16 and 2018-19 and $436 million in one-time Proposition 2 funds for UCRP. (UC received three years of 4% funding increases, but only 2.7% in year four.) In exchange, UC agreed to develop a new pension tier that incorporates the PEPRA cap, and to implement several academic initiatives, including those related to increasing transfer enrollments, streamlining undergraduate degree paths, developing new online courses, and piloting activity-based costing.

Campus Allocation of Funds: Until 2011, UCOP pooled all Core Fund revenues centrally and allocated them to campuses through a formula derived from base budget increases, enrollment growth funding, and funding for maintenance of new space. In 2011, UCOP implemented “Funding Streams,” which allows campuses to retain all revenue they generate, including nonresident tuition, and funds UCOP through a fixed assessment on campuses expenditures. UCOP also introduced “rebenching,” a six-year plan to use new state funds to gradually equalize the per student funding allocation formula and bring all UC campuses up to the level of the highest funded campus. President Napolitano accelerated rebenching by one year and its limited goals were completed in 2016-17. However, questions still remain about funding equity across campuses, given campuses’ unequal access to revenue sources like nonresident tuition.

Multi-Year Planning: UCOP is developing a multi-year proposal for full funding of the University that encompasses the first term of the Governor-elect. The University hopes the proposal can serve as the basis for a funding agreement that establishes clear expectations – both for the state’s responsibility to fund the University and for steps the University will take to
improve undergraduate access and time to degree. The plan will also make the case for graduate enrollment funding as part of any agreement.

AVP Alcocer also noted that the marginal cost of instruction refers to the estimated cost of educating one additional student. It is a negotiated methodology used in budget projections around enrollment.

IV. Consultation with Academic Senate Leadership

- Robert May, Academic Senate Chair
- Kum-Kum Bhavnani, Academic Senate Vice Chair

UC Budget: The 2018-19 State budget failed to provide UC with the full 4% funding increase promised by the Governor in his 2015 agreement with the University, and also warned that the State would meet any tuition increase with an equivalent reduction to the UC budget. The state did provide UC with $248 million in one-time funding, a portion of which UC will use to buy-out a planned in-state tuition increase, fund current over-enrollment, and support new CA resident enrollment growth in 2018-19.

Faculty Salaries: The Senate has been urging the administration to address the gap between UC faculty salaries and faculty salaries at UC’s Comparison 8 institutions. In March 2018, the Academic Council sent President Napolitano a plan for eliminating the estimated 8.4% gap over three years. The President responded by proposing a three-year plan to reduce the gap that included 4% increases to the UC salary scales in the first year. In July, the Senate followed up with a proposal to fully eliminate the remaining gap over a two year trajectory. The plan is under consideration now, during the early stages of 2019-20 UC budget development.

- It was noted that the chancellors have authority over off-scale salaries, and some chose to apply the 4% increase to both the base salary and the off-scale portion of salary. It was noted that the Senate is working hard to maintain the value of UC’s benefits, but the total remuneration position of UC faculty relative to their peers has declined; UC health and welfare benefits no longer make up for the gap in cash compensation.

Active Service-Modified Duties: The University’s childbearing and childrearing leave policy (APM 760) was recently corrected to provide equity between semester and quarter campuses. The policy had previously stated that faculty were eligible for a total period of leave plus active service-modified duties of two quarters (or two semesters). It now reads three quarters (or two semesters).

Domestic Partner Benefit Equity: The University has agreed to implement the recommendations in a 2017 Academic Senate report, extending health and welfare benefits, including survivor benefits, to domestic partners of all UC employees regardless of gender or age. The new policy will take effect effective January 1, 2019, and details will be available in fall 2018 open enrollment materials.

Cybersecurity Improvements: The University is implementing new cybersecurity improvements for payroll and pension access websites following several incidents of pension payment theft from emeriti faculty members.
**Transfer Guarantee:** Last year, President Napolitano asked the Senate to develop a systemwide transfer admission guarantee for California Community College (CCC) students who meet a minimum GPA overall and a minimum GPA in a UC Transfer Pathway. BOARS will develop policy in response to the recommendations with input from UCEP. The goal is to have a transfer guarantee program up and running for students entering the CCC in September 2019.

**Standardized Testing:** President Napolitano has asked the Senate to review the role of standardized tests in UC eligibility and admissions, their value in predicting academic success at UC, and their effect on access for different student populations. BOARS, UCOPE, and UCEP will lead the review.

**Online Education:** Chair May has asked UCEP to review the Senate regulations to ensure they appropriately recognize the role of online education in the UC curriculum, facilitate student access to online courses offered across the UC system, and ensure students receive credit for those courses.

**Self-Supporting Programs:** Chair May invited UCPB to work with CCGA on a general review of the University’s self-supporting graduate professional degree program (SSGPDP) policy; the effect of SSGPDPs on and their value relative to state-supported programs; financial and diversity outcomes; and the effectiveness of the Senate review process, which some administrators view as slow and even obstructionist.

**UCOP Restructuring:** The Senate has been reviewing Huron-inspired proposals to restructure or relocate systemwide entities, including the UC Education Abroad Program and the consolidation of UC’s Mexico entities. The advisory committee “tiger teams” appointed by the President to consider the Huron Consulting Group’s options concerning the Division of Agriculture and Natural Resources (ANR) and of UC Health are also preparing their final reports. Chair May noted that he is also advocating for a comprehensive review of UC’s health enterprise that assesses the role of the medical centers and their relationship to the general campus.

**UC Librarians:** The represented librarians have requested “academic freedom” protections as part of their terms of employment. There is concern that the non-Senate academic appointees cannot have academic freedom in the same sense that is applicable to Senate faculty under APM-010 and APM-015. A committee is being formed to develop a policy for non-Senate academic appointees that outlines appropriate protections and responsibilities for scholarship, research, and teaching conducted in the context of their appointments.

**150th Anniversary Symposium:** The Academic Senate is organizing a symposium in celebration of the 150th anniversary of the Academic Senate and the UC faculty on October 26 and 27. The event will feature four lecture and panel discussion sessions focused on the mission, history, and goals of the University.

V. **Self-Supporting Graduate Professional Degree Programs (SSGPDPs)**

The Compendium and CCGA Handbook Appendix K outline the role of the Academic Senate and UCPB in the review of SSGPDP proposals in the context of the University’s 2016 SSGPDP.
Chair Steintrager asked UCPB members to consider ways to improve the UCPB review template and the Senate’s overall review process. UCPB members noted that it would help inform UCPB’s front end analysis to receive information about the financial performance of established SSGPDPs. They also noted that the 2016 SSGPDP policy requires three-year divisional reviews of new SSGPDPs and it would be useful to regularize and gain access to those reviews. Members also noted that it would be useful to consider the extent to which SSGPDPs may divert resources – including space, services, and faculty effort – away from state-supported programs and UC’s core academic mission, as well as the accessibility of SSGPDPs to diverse and underserved student populations. It was noted that the Senate has never denied a proposed SSGPDP, but many proposals have been improved by the Senate review process. A member suggested that the SSGPDP fee structure include funding for an external evaluation of the program.

Chair Steintrager asked for two UCPB members to serve as reviewers for each of the three current SSGPDPs proposals.

1. UCR Master of Supply Chain & Logistics Management

ACTION: UCPB members Professor Steven Gross and Professor Aditi Bhargava volunteered to lead the review and report to UCPB in November.

2. UCI Master of Presentation Design

ACTION: UCPB members Professor Bruce Schumm and Professor Katherine Kinney volunteered to lead the review and report to UCPB in November.

3. UCI Master of Engineering

ACTION: UCPB members Professor Steve Constable and Professor Paul Finn volunteered to lead the review and report to UCPB in November.

VI. Faculty Housing and Home Ownership

- Ruth Assily, Director of Home Loan Programs
- Jean Yin, Director of Capital Markets Finance

Directors Assily and Yin discussed the current status of the Mortgage Origination Program (MOP) and other University efforts to assist in homeownership for faculty.

Director Assily noted that the University established MOP in 1984 to support the recruitment and retention of faculty and senior managers. The program is funded centrally through an allocation to campuses from the Short Term Investment Pool (STIP). Adjustable rate MOP loans include competitive financing terms, have a maximum repayment term of 30 years, and require only 10% down payments for loans up to $1.5 million. The average MOP loan is about $650k. Faculty can
also use the Supplemental Home Loan program to reduce the down payment to 5%. There are no points or application fees, and it is easy for faculty to qualify. The minimum interest rate for a standard loan is currently 2.75%. The maximum rate adjustment is 1% per year with a total interest rate cap of 10%. The annual interest rate is based on a quarterly average of STIP returns. UC does not make a profit from MOP.

The University collects MOP payments through payroll deduction, so there is low delinquency rate. An employee with a MOP loan who leaves UC is required to repay the loan within six months. A spouse or eligible child can inherit the loan under the same terms. 97% of loans go to faculty or SMG members with a joint faculty appointment. Loan volume is rising, from 20-25 per month in 2015-16, to about 40 per month today. UC made 249 total MOP loans in 2015-16, and 349 in 2017-18. 80% of loans are made for recruitment; 20% for retention. 45-50% of new faculty use the program. MOP has enough capacity to continue for at least four more years, though rising interest rates rise could drive additional demand for more loans.

UCPB members agreed that MOP is an important recruitment and retention tool in the context of the rising cost of living in California and UC campus communities. Chair Steintrager asked about the potential to use the University’s debt capacity to facilitate home co-ownership between the University and faculty. Director Assily noted that the University had negative experiences in the past with Shared Equity/Shared Appreciation/Co-Ownership loans. Director Yin added that the University does use debt capacity to finance the construction of faculty and student rental housing projects. There is limited debt capacity at the systemwide level, and in general, individual campuses are free to prioritize projects to fund with their debt capacity. Campuses are also turning to the Public-Private Partnership (P3) model to fund housing projects. The University has considered other mechanisms and partnership models, including affinity relationships with banks, but has not found one offering significant benefits.

VII. Proposed Consolidation of UC Mexico Entities

The Current State Assessment Report for Systemwide Mexico Entities outlines UCOP’s proposal to consolidate three systemwide programs related to educational and research activities with Mexico: 1) the UC MEXUS Multicampus Research Unit; 2) President Napolitano’s UC-Mexico Initiative; and 3) Casa de California. The proposal is part of the UCOP restructuring effort that follows from the Huron Consulting Group’s review of UCOP. Senate Chair May has asked Senate divisions and systemwide committees to make a recommendation to Academic Council.

The Assessment Report makes a case for consolidating the three entities into a single, financial sustainable entity to address a growing structural deficit. The new entity would remain an MRU and would maintain the UC MEXUS name and location at UC Riverside. The Report also includes information about a proposal from UCSD to host the newly merged entity.

UCPB members expressed support for the consolidation and for phasing out the UC Mexico Initiative, which was intended to be a temporary program and now overlaps significantly with the UC MEXUS mission. In contrast, UC MEXUS is a successful and well-run MRU with a well-known brand. The deficit was brought on in part by UC’s failure to fund the increasing cost of graduate fellowships.
UCPB members noted that UC policy requires MRUs to be located on a campus. They agreed that the new entity should keep the UC MEXUS name. They noted that moving UC MEXUS away from UCR would not be prudent from a financial perspective, given the cost of moving the MRU, and UCR’s existing support infrastructure. However, it is important for the University to provide UCR with resources to facilitate the consolidation and support the revitalization of UC MEXUS.

UCPB discussed the sustainability and function of the Casa de California, which is currently underutilized, funds itself primarily as a rental property, and operates at a loss. UCPB members noted that the Casa’s mission is in general more aligned with the UC Education Abroad Program than an MRU. There was concern that merging its finances with UC MEXUS could present an administrative burden that compromises the UC MEXUS academic mission. There was some support for separating Casa from the consolidation, or at least for reimagining its mission to better align with the new entity, such as expanding its availability to a wider range of UC constituencies.

UCPB members also expressed support for expanding the scope of the newly merged entity to incorporate a broader range of disciplines and research interests and themes from the UC-Mexico Initiative, and particularly to expand the distribution of fields in the postdoctoral fellowship program. Members also agreed that the new advisory committee should include significant representation from the Senate and from across the system. Finally, there should be an accelerated review of the consolidated entity, in three years rather than the five years required in the compendium for MRUs.

**ACTION: A draft letter summarizing the discussion will be circulated to UCPB for quick review and approval.**

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Meeting adjourned at 4:00 pm
Minutes Prepared by Michael LaBriola, Principal Committee Analyst
Attest: Jim Steintrager