

UNIVERSITY OF CALIFORNIA ACADEMIC SENATE
UNIVERSITY COMMITTEE ON PLANNING AND BUDGET

Minutes of Meeting
May 5, 2020

I. Consent Calendar

- Approval of UCPB May 5, 2020 agenda

ACTION: UCPB approved the consent calendar.

II. Announcements

- **Sean Malloy, UCPB Chair**

A joint ad hoc committee is meeting bi-weekly to discuss COVID-19 budget impacts. The committee includes Interim CFO Jenny, the Senate chair and vice chair, UCPB chair, UCFW-TFIR chair, and UCFW-HCTF chair. The committee is discussing UC's plans for restoring normal activities at campuses and medical centers based on different revenue scenarios, policies and procedures for mitigating the effects of the crisis on the institution, and strategies for protecting faculty, students, and staff.

The administration has not authorized the sharing of specific data or projections with UCPB, but the best case scenario for UC is said to be a flat state budget, with cuts likely in August. The total fiscal impacts may be worse than during the 2009 recession when UC revenues from auxiliaries and hospitals grew modestly, even as UC lost state support. In contrast, this crisis could involve billion dollar losses on top of state cuts.

In 2009, Regents Standing Order 100.4 was added to give UC presidents the ability to declare a financial emergency and implement measures such as furloughs. A draft presidential policy accompanying SO 100.4 outlined a consultation process with the Academic Senate relative to emergency declarations. Senate leadership has emphasized the importance of faculty consultation on decisions that affect the future of the University. Chair Malloy noted that the Senate should provide leadership on alternatives to self-imposed austerity measures and encourage bold action to preserve UC excellence. Chair Malloy has asked a UCPB subgroup to develop a draft set of principles to help guide UC in dealing with the onrushing budget crisis.

III. TFIR Update

Chair Malloy noted that he will request a change to the UCPB bylaws to include the chair of the UCFW-Task Force on Investment and Retirement as an ex-officio member of UCPB. TFIR Chair Brownstone noted that TFIR recently participated in a series of meetings hosted by the UC Chief Investment Officer about UC finances in the context of COVID-19. The CIO has suggested borrowing from the federal reserve at low interest rates to help address revenue losses; however, other UC administrators are concerned that borrowing may hurt the University's credit rating. Chair Brownstone also noted that TFIR is working with UC's actuary to monitor the status of UCRP funding. TFIR is concerned that UCRP is at the cusp of failing a "crossover" test, which occurs when projected benefit payments for current and inactive employees exceed the projected plan net position related to those employees. Crossover would trigger changes to the UCRP discount rate (currently 6.75%) that would grow the unfunded liability, and add pressure to increase contributions.

IV. Consultation with Senate Leadership

- **Kum-Kum Bhavnani, Academic Senate Chair**
- **Mary Gauvain, Academic Senate Vice Chair**

COVID-19: UC campuses are developing individual plans for COVID-19 testing and contact tracing. However, there is a need for systemwide coordination of those efforts and a coordinated plan for reopening campuses. UCSD Chancellor Khosla has proposed a scheme for regular testing of students, faculty, and staff, and contact tracing, this fall. UCSD researchers are also working hard to develop a faster COVID-19 test.

Climate Crisis Task Force: The Interim Academic Senate Working Group on Climate Change has developed a charge for a new, longer-term Climate Crisis Task Force that will implement the climate change principles adopted by Council in [December 2019](#). Chair Bhavnani has asked UCOG to populate the Task Force before the end of the year.

Standardized Testing: The Academic Assembly endorsed BOARS' recommendation to eliminate the SAT Essay/ACT Writing Test as a requirement for UC undergraduate admissions, along with an Academic Council recommendation "to endorse the STTF report, with the recommendation that in five years the University revisit whether the added value of the SAT/ACT still holds, employing the methods used in the STTF report." A Senate panel will discuss the STTF report at the May Regents meeting. The Regents will vote on the future of the SAT/ACT at that meeting.

Extending Faculty Diversity Task Force: The Extending Faculty Diversity Task Force, led by UCSC Division Chair Lau, and including UCPB Chair Malloy, is meeting to develop best practices and creative solutions for extending faculty diversity through hiring and retention, and for improving campus climate.

V. Consultation with UCOP

- **Paul Jenny, Interim Chief Financial Officer**
- **David Alcocer, Associate Vice President, Budget Analysis and Planning**

May Regents Meeting: University budget leaders will discuss the immediate financial impacts of the crisis, along with the delayed and longer-term impacts. The immediate impacts include COVID-related costs and lost revenues experienced by campus auxiliaries and medical centers, which exceed \$500 million to date and may total \$2.5 billion by fiscal year-end. These effects will continue into the fall, given ongoing costs, enrollment uncertainties, and the likelihood that UC will not fully resume multiple occupancy dorm housing. However, some losses will ease as medical centers begin addressing deferred medical procedures, and there is no reason to expect a long-term drop in demand for on-campus housing. A second set of longer impacts relates to state general fund support and tuition. The University expects the Legislature to pass a flat budget by June 15, and then a second complete budget in late August that may include cuts. The recovery time for those losses will be much longer. In addition, while Statements of Intent to Register are trending normal, UC anticipates significant "summer melt," particularly from nonresidents.

The federal CARES bill provided UC with \$260 million in funding, half of which is directed to student financial aid and half to campuses to address general costs and losses. UC also received two infusions of FEMA funding for UC hospitals. The hospitals have healthy reserves and liquidity, but a long term recession could influence their payer mix.

The presentation to the Regents will discuss UC's short term mitigation actions, and the scenarios campuses have modeled for minimal, medium, and maximum effects on revenue based on the length and severity of COVID-19 impacts, and variables that include disruptions to nonresident enrollment, auxiliary and medical center revenues, state funding, research activity, philanthropy, and the length and severity of a recession. Each scenario – short, medium, and long term – project total revenue shortfalls of between \$4 and \$8 billion across all revenue categories. UC wants to discourage draconian actions, and will emphasize an iterative approach to the scenarios that positions UC to manage the first scenario and continually stress test other scenarios.

- A UCPB member asked budget leaders if ongoing student lawsuits over tuition and fee refunds could affect the scenarios. Others noted that worst-case scenario modeling could encourage the state to secure federal grants for UC, and expressed support for a borrowing strategy to support campus revenue shortfalls and UCRP. Members noted that the failure of the GO Bond has increased pressure on campuses to find funding to meet the 2030 seismic safety mandate.
- AVP Alcocer noted that tuition/fee lawsuits have not affected the scenarios. He said UC released students from their spring housing and dining contracts; however, the University does not intend to issue tuition refunds, because students have been able to continue degree progress successfully through remote instruction. Campus-based fees are under the control of chancellors. Those fees support both immediate services/events and also ongoing costs such as debt service. UCOP has invited campuses to revisit the terms of the fees and assess if service costs have declined due to COVID-19.
- CFO Jenny noted that the University is exploring strategies such as borrowing; he added however, that the federal marketplace for loans looks attractive on paper, but fees are high and the short term duration of the loans make them less practical as a tool for bridging the long-term impact of cuts. He said the markets are a borrowing source, not a revenue source, and campuses have limited debt capacity. Budget leaders emphasized that the likelihood of the maximum worst case scenario is declining over time.

VI. Building on “Lessons Learned from Past Crises”: a UCFW Perspective

○ Jean-Daniel Saphores, UCFW Chair

Chair Saphores shared a document written by former Senate/UCFW chairs summarizing their views on lessons learned from previous budget reductions that can be applied to UC budget cuts expected in 2020-2022. The document anticipates actions the state, UC administration, and Regents may take in response to a budget emergency, and their effect on UC quality and faculty welfare. In response to the “lessons learned” document, UCFW formed two working groups: the first wrote a set of principles for guiding UC through the crisis to a sustainable future; the second produced a table summarizing the pros and cons of various actions to address revenue shortfalls.

The principles emphasize the need to draw on the foundation of shared governance; to affirm that UC is one university; to rely on established processes; to maintain a stable employee base and hire faculty strategically; and to emphasize stewardship over expansion. The table clarifies definitions of possible alternatives for accommodating reductions in salaries, health benefits, and retirement benefits, and describes the pros and cons of actions such as furloughs, salary

reductions, and lay-offs; canceled range adjustments and merit and promotion suspensions; increased UCRP employee contributions; and across the board cuts versus targeted cuts.

UCFW expects the crisis to be long-lasting and believes it is critical for UC to preserve faculty total remuneration, the merit and promotion system, and health care benefits, particularly for retirees. UCFW wants the Senate to educate the incoming president about the benefits of shared governance, and believes that the Senate fares better by developing its own proposals rather than waiting for the Administration to develop options and then reacting to them. UCFW wants to work with UCPB and others to identify common principles and to make the COVID-19 crisis less painful for faculty colleagues.

- A UCPB member noted that UCPB's 2009 [Principles](#) document, written during the last recession, emphasizes maintaining quality of research and teaching as the top priority, above affordability and accessibility. Members noted that furloughs are preferable to salary reductions because furloughs preserve the calculation of retirement income at the pre-furlough level. A member encouraged UCFW to emphasize the lack of openness in recession scenario planning, and it was agreed that a UCPB member would join the May 8 UCFW meeting to discuss an effort to attach a common set of joint principles to the individual principles developed by each committee.

VII. UCPB Subgroup on Budget Crisis

A UCPB Subgroup—Newfield (Chair), Grandis, LiWang, Schumm, Tom—drafted a set of principles and processes to guide COVID-19 related budget issues. The Principles emphasize that any and all new cuts to UC will translate directly and immediately into reductions of educational quality and public value, and that UC must avoid at all cost catastrophic, long-term damage to its capabilities. The Principles emphasize that the baseline goal of recovery planning must be to mitigate projected losses 100%, and that UCOP and the Regents must engage in active planning of recovery strategies in open consultation with the Senate. Mitigation and recovery strategies should also draw on internal and external sources of revenue, and UC should present its need for government funds as an investment in a broad public good.

- Members expressed support for the principles, particularly their emphasis on maintaining educational and research quality, and on UC's larger social value. Members suggested defining quality in the context of UC's identity as a research university that empowers undergraduates through interaction with other undergraduate and graduate students and research faculty. They noted that a severe budget crisis will force UC to make difficult choices related to tuition and the size and shape of the University, and that maintaining quality will require UC to resist unfunded growth mandates. A wholesale shift to remote/online instruction would not be consistent with quality. Members also noted that budget cuts degrade equity initiatives and equity pipelines, and that UC is providing a valuable service to society during the COVID-19 crisis. Members expressed support for merging the UCPB and UCFW principles into a single Senate document that communicates common principles. Members agreed that it is important for UC to show leadership in during the public health crisis.

ACTION: The subgroup will refine the document and UCPB will vote on email, forward to UCFW and Academic Council.

VIII. Campus Reports

Campuses are developing financial and academic contingency plans for fall 2020 based on multiple impact scenarios. Several campuses are setting up testing and contact tracing protocols to support a safe opening for instructional activities and the research enterprise. Most campuses have not frozen faculty hiring, though some have slowed faculty searches or implemented position controls. Controls on staff hiring are much tighter. Campuses are planning for a possible mix of in-person and remote instruction, and anticipating the possibility of significant summer melt. Some are planning to scale back on-campus housing guarantees to incoming freshmen and transfers, and are concerned that students will not show up if they are not guaranteed housing.

Campuses project significant losses, including up to \$200 million at UCB, and \$800 million at UCLA, half of which related to medical center revenues, although elective surgeries there are gearing back up. UCI is working from a surplus in part due to high nonresident enrollment. It has reserves to address a drop in NRT and operate more or less normally.

UCSD will implement graduate student funding reform this fall, which guarantees all doctoral students five years of guaranteed financial support. The UCR CPB is also pushing to implement such a guarantee.

UCSF has a phased plan to resume research and scale-up density in research facilities, starting with 25% capacity, staggered shift scheduling, and screening at all building entrances in phase one. Recognizing that COVID-19 disruptions are magnified for those with primary caregiving responsibilities, a group of UCSF women scientists has requested additional supports, including a blanket extension of stop the clock for pre-tenure investigators, with an opt-out option.

The graduate student representative noted that both undergraduate and graduate students may want to extend their time at UC to avoid entering a difficult job market. He would also encourage the Regents to have philosophical conversations about affordability and access and the relative benefits of a high tuition/aid model versus a low “sticker price” model.

IX. Report from UCPB Task Force on ANR

o Eleanor Kaufman, Chair TF-ANR

TF-ANR’s April 20 meeting included a discussion with Senate Vice Chair Gauvain, who chaired the 2011-12 Academic Council Special Committee on ANR and also served as Senate representative to President Napolitano’s 2018 UC ANR Advisory Committee.

Vice President Humiston also joined the meeting to discuss ANR’s response to the COVID-19 crisis, and the long-term implications of the crisis on the ANR budget, strategic planning, and priorities. She described ANR’s efforts to shift farm advising activities and educational programming to an online format, and its work with UC Health on contract-tracing training. ANR expects to receive a flat state budget, and is confident it can weather the crisis. It will make the case for state and federal stimulus packages to include funding for Cooperative Extension, given ANR’s work around wildfire prevention and food security.

TF-ANR also discussed whether to pursue issues that CE Specialists raised at TF-ANR’s February meeting, including the question of Senate membership and concerns about uneven opportunities and processes across campuses for CE Specialists to serve as primary advisors to

graduate students. Chair Kaufman also will seek changes to TF-ANR's membership for next year to promote more diversity and representation from AES campuses.

X. Review of the UCI School of Pharmacy and Pharmaceutical Sciences

UCI has requested an accelerated review of its full proposal for a School of Pharmacy and Pharmaceutical Sciences. The systemwide Senate and the UCI Senate are conducting their reviews synchronously.

UCPB's lead reviewer Professor Grandis recommended that UCPB approve the proposal. She noted that UCI has generally and satisfactorily addressed the concerns UCPB raised in its November 2019 review of the pre-proposal. She also noted that UC Irvine is on a strict accreditation timeline, and that while the limited market for more pharmacy schools in California presents a risk, UCI argues that it will be able to attract students from less prestigious and for-profit pharmacy schools. The campus has already allocated resources to the school.

ACTION: UCPB will forward its report to Chair Bhavnani.

XI. Review of Proposed Self Supporting Degree Programs

UCR Master of Science in Business Analytics (MSiBA): Lead reviewer Professor Stanton noted that the three-quarter program will be offered jointly by the UCR School of Business and Department of Statistics. It will address strong demand for professionals with skills in both business and statistics. The program's small start-up costs are aided by a plan to take advantage of unused capacity in existing classes. Tuition will be set at \$52,000 with a target enrollment of 30 and \$672,000 net revenues by year 3. The program will set aside 10% of gross revenues for financial aid. Professor Stanton recommended UCPB endorsement, noting that the program will allow UCR to make better use of existing courses with falling demand, bring in high-caliber students, and generate revenue to strengthen the campus's financial position.

UCPB members raised questions about the plan to mix state-supported and MSiBA students in some classrooms. They noted the absence of detailed information about cost transfers that will ensure revenue from the program fully pays for the faculty resources needed to deliver the MSiBA curriculum. Another question concerned the modest additional budget proposed for career services and advising, and whether these services and mixed classroom experience would provide appropriate value to MSiBA students.

ACTION: UCPB will send the report and comments to CCGA.

Meeting adjourned at 3:30 pm

Minutes Prepared by Michael LaBriola, Principal Committee Analyst

Attest: Sean Malloy, UCPB Chair