

Minutes of Videoconference Meeting**June 6, 2023**

Donald Senear, (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), David Brownstone (Chair, TFIR), Susan Cochran (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), Kevin Confetti (Associate Vice President and Chief Risk Officer), Douglas Haynes (Vice Provost for Academic Personnel and Programs), Stefani Leto (Analyst)

I. Consent Calendar

UCPB approved of the agenda for June 6, 2023 and the minutes of May 2, 2023.

II. Chair's Announcements

Chair Senear noted that Council endorsed the UCPB letter requesting that the 2022 UCPB Faculty Hiring Report be sent to the Provost. Faculty salaries at the UC remain low compared to the eight comparator institutions. Discussion included whether the upcoming faculty salary increase will be applied to off-scale salaries or only scale.

A joint Senate/Administration workgroup on the future of doctoral education has met. The committee will not report out until a preliminary report in October, with a final report forthcoming July, 2024. There are equal numbers from the Senate and administration. The workgroup formed three subcommittees, one considering defining academic work. The medium versus long term effects of the labor agreement need to be taken into consideration.

The Provost plans a series of congresses to which all faculty will be invited – October 9 at UCLA, a later one at a northern campus; the graduate studies congress will cover many of the sub topics of the working group.

He reported from Council that the postmortem group about the labor negotiation experience includes no Senate members. The CSU has proposed a large tuition increase, as it faces a \$1.4B operating budget gap. Stories of rural hospitals closing recalls what Dr. Byington said about the UC responsibility to pay for medical education at UC Merced and UC Riverside.

TFIR Chair David Brownstone reported that a total remuneration study by HR may happen in the future; an RFP has been discussed. A well-done study will provide information about

different tiers of the retirement plan. TFIR continues to advocate for education surrounding retirement choices for newly employed faculty and staff.

III. Consultation with OP

Kevin Confetti, AVP and Chief Risk Officer, reported on Fiat Lux, the University's captive insurance, now ten years old. Before captive insurance, the UC used insurance trusts for things like general & auto liability, medical malpractice, and workers compensation. However, if one program had poor performance, the University could not use better-performing programs for smoothing. With a captive company, UC risk can be viewed on a global or portfolio basis rather than siloed. We can also insure things we cannot purchase in the open market, such as sexual misconduct. Additional reinsurance markets are available to the UC as Fiat Lux interacts with them as an insurance company (commercial purchaser) rather than an individual insured. This provides the opportunity to potentially structure customized terms and greater control over claims decisions. The University can invest reserves that its required to hold for Fiat Lux, and gain returns from that.

As a result of not being able to purchase coverage in the commercial insurance market, sexual misconduct liability is a key area of coverage that is now provided by Fiat Lux. In 2017, when the Heaps matter started, our self-insured retention was \$5M. Now it is \$30M, driven by the insurance market forcing the University to assume greater amounts of liability. Cyber liability has also experienced this same pressure as our self-insured retention has increased from \$5M to \$20M. Additional areas for which the University cannot obtain traditional liability insurance include cost-prohibitive earthquake coverage. A variety of insurance providers are "stacked" to provide coverage for many of our liabilities and Fiat Lux is used to fill any potential gaps within those "stacks". In addition to insuring risks that commercial insurers will not write policies for, a captive insurance company provides the University the ability to provide Differences in Conditions (DIC) provisions on policies so if a reinsurer won't cover a particular kind of risk within another, Fiat Lux can write an exception to cover it. It can also potentially cover a gap between the ultimate cost of a claim and available coverage when that loss exceeds the coverage, preventing catastrophic financial blows to campuses.

Currently, Fiat Lux covers 41 different lines of coverage with an annual premium of approximately \$513M. The program is studying the potential of providing insurance to UC Health as a stop loss for medical insurance coverage for employees, renters insurance for students, student damage deposits, and potentially homeowners or auto insurance to faculty and staff.

- Discussion included questions about worker's compensation claims and the magnitude of the coverage given the size of individual claims. It is true that most of these claims are low dollar amounts, with a high frequency of occurrence. The large, self-insured retention (\$10M) is indicative of providing coverage for catastrophic events, which would have an extremely high volume of claims from one incident. The difference between this and sexual misconduct claims is that workers compensation claims are statutory and capped.

- In the Heaps case, where the University had liability but not enough coverage, a \$400M bond was secured, at low interest rates, to pay the difference in what could be covered by then-held insurance and the cost.

V. Budget Consultation with UCOP

Associate Director, State Budget Relations Virtanen reported on the state of the budget process. The governor released his May revise of the State budget, despite uncertainty surrounding actual state revenues due to delay in income tax collection. The Legislative Analyst Office (LAO) maintains that the state faces a larger deficit than previously expected. However, the governor maintained the five percent base budget increase promised as part of the compact with the UC. Both houses of the legislature have attached language to their budget revisions dictating how that increase can be spent, and negotiations over the budget continue.

The governor did convert some capital funding that the University had either received or expected to receive and converted it to institutional bonds, called AB94 bonds, which use the annual appropriation as collateral to finance them. Money to pay the debt service on these bonds is included in the governor's budget proposal. This debt service brings the University close to the 15 percent cap of the UC's annual state funding appropriation, thus delaying some capital projects. The University hopes to include language in statute that this debt service funding will reoccur annually.

Budget negotiations between the legislature and the governor are expected to continue through the summer. If the LAO is correct, mid-year budget revisions are possible.

An exception of a \$2M in the ongoing general fund for the Riverside School of Medicine was placed into the budget by the representative for the area, on top of the five percent for the base budget. This was a direct request to the legislature, rather than through the UC budget which is an ongoing issue. UC representatives have asked legislators not to take such requests out of the base budget allocation for the UC, but to allocate separately. A new group formed at the UC to discuss set-asides may help to address the issue of outside requests. New set-asides have been put in place, such as the CDL's acquisitions budget, and establishing Santa Cruz as a new AES campus. Allocations based on enrollment are being reviewed now, and the beginning of phasing in changed weights for certain students (LCFF+, health sciences students) is the biggest change in that process. This year also marks the final round of overt guardrail funding for Santa Cruz, Santa Barbara, and Riverside.

- A member asked about budget support for ANR, represented by a shift of \$4.8M from the main appropriation for a five percent increase to ANR commensurate with what the rest of the university is getting. However, ANR is funded with a separate budget item. In response, the ANR funding shift was requested – the University subtracted the funds needed for enrollment growth and figured the ANR portion as a percentage of the remainder, maintaining the University's percentage for enrollment growth.
- It was noted that legislative pressure for ever-increasing numbers of students enrolled at the UC has and will translate to greater pressure for more online courses and eventually degrees, despite any concerns about their level of quality.

- One member reported that at his campus, pre-pandemic, grants to put together online rigorous classes averaged \$120,000 for two years of preparation for the courses. The amount changed to about \$4,500 in the middle of Covid and has diminished to no support. As the pressure to create and approve more online classes increased, the ecosystem of support for a high quality class changed drastically.

VI. Consultation with Senate Leadership

Chair Cochran reported on the work of the AB 928 committee to streamline transfer, comprised of many stakeholders. After two years of work the group arrived at a single pattern of GE courses that students can use to transfer to either the CSU or the UC. The legislature resisted the governor's mandated Transfer Admission Guarantee (TAG) for UCLA. There is a pilot program working with less-effective community colleges to increase transfer from them rather than the already-established few that already do so at high numbers.

The University is resisting AB1749, a bill which guarantees admission for students finishing an associate degree for transfer (ADT). The comprehensive review done by the UC means students are not only evaluated on course preparation and gpa. The proposed bill privileges students who do well in a community college at the expense of those needing time to develop academically. This bill would also require CSU transfers (75 percent of the transfer pool) to take math and science courses required by the UC, thus presenting barriers to many students.

The Council received a labor issues update at their last meeting. Striking students who did not complete academic classes during the strike are protesting unsatisfactory grades. The issue is likely to go before the labor relations board. Council hopes to create rules and procedures to protect faculty. CCGA has started developing guidelines for 299/799 research courses syllabi including articulated expectations of the distinction between employment and academic work. Guidance for PIs for employment recording and paperwork is forthcoming.

Some Regents are displeased at the Senate's revision of SB 630 mandating a year of residency for UC students. Conversations about fully online degrees will continue.

VII. Consultation with OP

Vice Provost Haynes discussed faculty salaries with UCPB. The committee alleged that faculty salaries have not kept pace with the UC's eight comparator institutions. The proposed salary increases, applied only to the salary scale, are functionally lower than 4.6 percent because of off-scale salaries. In addition, the University has not hired enough new faculty to keep pace with increases in student enrollment. He agreed that the Academic Planning Council's 2020 Task Force on Faculty Salary Scales Report and Recommendations had useful actionable recommendations.

Both he and UCPB agree that faculty salary scales do not accurately reflect total faculty pay. Scales that change based on independent assessment of faculty merit are, on balance, a strength of the UC. The 2020 report suggested applying increases to scales which would bring them into alignment with existing total salaries but disproportionately affect higher-earning professors.

The VP hopes to consult not only with UCPB but other stakeholders about addressing the off-scale problem. He asked about the capacity of the campuses is to move to and maintain a market-based model for incoming faculty.

- Lively discussion of the purposes of off-scale salaries, the varying problems different adjustment approaches attempt to solve, and the role of faculty through CAPs in adjudicating off-scale amounts followed. UC Davis' CPB recommends the use of a consultative process for managing salary adjustments.
- UCPB members noted that the current model creates salary inversions where new faculty are offered competitive salaries to induce them to a public university and thus paid more at a lower rank than older faculty based on the initial salary. This incentivizes existing faculty to seek outside offers and decreases salary equity. However, raising all scales to the current total level of compensation has both complications of finding funding to do so and varying amounts of off-scale salary for different faculty members. In addition, to some degree, off-scale amounts reflect an attempt to reward outstanding faculty members, representing a component of merit increases.
- It was noted that off-scale salary components complicate the process of equity analyses.
- Changes to the pension system have weakened its effect for faculty retention.

VIII. Best Practices Report

The final portion of the workgroup's document covers next steps, providing a best practices path for coming years as well as shorter term concrete steps for this summer and fall. The report will provide an overview of examples to move forward implementing best practices for divisional CPBs.

The following discussion noted:

- Davis would like to find ways to involve FECs earlier in the process, prior to the January retreat, at which budget questions are posed. Information regarding enrollment and varying programs are part of the questions, so it would be a benefit if they could be prepared earlier, thus spring discussions could be shaped in the fall. Helping new FECs navigate data available on campus is a key part of educating them, and the CPB is considering creating a template to guide them. Engaging Deans is key.
- For campuses on which the FECs are not yet active, or less active than hoped, helping them come up to speed so that they can engage with Senate leadership and people serving on various executive committees is key.
- An essential element is engaging with the CFO and Chancellor, showing them benefits of sharing budget information with CPBs. Creating a routine of engagement, where data sharing is part of the regular budget process, may be important to engage FECs going forward.
- Making the case to Deans can be challenging. Committee members noted that SSPGDP approval is important to Deans, as well as sharing responsibility for budget decisions. Showing faculty involvement in the process from an early point can increase engagement and decrease negative responses when budget decisions are difficult.

- UCPB will write a report that can raise the issue at Council and educate the divisional chairs, and these how to questions about involving people will be a big part of it. Senate consulting cannot be restricted to receiving a report, but the report will provide the beginning point for EVCs and senate leadership to be involved. A draft of the document will be finished next week.

IX. Campus Reports

UC EAP has fully rebounded in student numbers. They used the captive insurance to cover pandemic-related losses, which led to lower investment returns on those fund sources. Their budget has been approved for next year and the program expects a positive year. They are considering a proposal for a freshman year abroad.

UC Davis does not yet know graduate student enrollment for the fall. A task force on sustaining teaching and research is discussing issues facing the future of graduate education. The campus has joined The Higher Education Leadership Initiative for Open Scholarship (HELIOS).

UC Irvine's budget cuts will reduce the deficit from \$90M to \$30M. Cuts apply to both academic and administrative units (3 and 5% respectively). Deans have returned FTEs back to the central campus, affecting hiring priorities within schools. The faculty have concerns about the long-term faculty: student ratio. The remaining deficit will be addressed in the next round of planning. There has been a 30 percent cut in graduate admissions, leading to fewer teaching assistants. The campus has not shared any plan for covering increased costs for graduate salaries beginning in October. The CFO met with the CPB for the first time this year. The graduate council has expressed some concern regarding oversight of self-supported graduate degrees and has asked the CPB to discuss the issue.

UC Merced has a commission investigating the future of graduate education. Fall graduate admissions have not increased as expected. The provost and chancellor plan to pay for graduate students in the fall, with a tighter budget in spring. The campus continues to discuss the proposed Gallo School of Management and the concomitant reorganization of an existing school which would lose three departments under the current proposal. The Senate hopes to facilitate dialogue among faculty members regarding the proposal.

UC Riverside has a working group, convened by the Provost, on graduate education. No news or progress from the group has been shared out to faculty.. Enough funding for next years grad students but not a lot of information coming down. Graduate enrollment is significantly down in STEM fields. A January Deloitte report stated that staffing levels on campus are adequate; the Senate is preparing a response to rebut the report. Staff continue to struggle with fallout from the Oracle software implementation. The campus Finance Committee has been asked to prioritize building plans for the campus in response to plans for OASIS, an innovation hub.

UC San Diego continues to build on campus and in La Jolla. Graduate applications and admissions are lower than before, as departments took a conservative stance. The CFO gave the grad student organization veto power over future graduate student housing construction.

This has not yet increased trust between students and administration. The campus has acquired several new real estate holdings.

UC San Francisco has not experienced a decrease in graduate admissions. No detailed plans for addressing increased cost for graduate students have been shared with faculty. A smaller subset of UCSF graduate students are not covered by bargaining groups and have lower salaries than others. A series of meetings has been announced for the community to process some of the cultural fallout from the graduate student strike. The budget committee continues to focus on the distribution of endowed chairs as there is no clear campus wide process nor equity focus.

UC Santa Barbara – planning for the future of graduate students. For the upcoming term, the Chancellor appointed an emeritus faculty member to create a plan and the preferred approach is for the Chancellor to cover all costs. A second committee is working on longer terms plans and the future funding of doctoral programs. A new structure will likely emerge, and may include fewer graduate admissions.

At UC Santa Cruz fall graduate admissions numbers were higher than expected. Acceptance was down 13-14%; admissions less so. The campus expects numbers to continue a downward trend for at least the next few years. The EVC added funding for TAs to support admission of non-stem students. The Implementation Task Force for Inclusive Excellence in Graduate Education (the ITF) report can now be shared with UCPB. The campus senate proactively addressed this topic, and the EVC was supportive and responsive to the recommendations such as more summer support and beginning to think of cost sharing models for GSRs. The task force produced the analysis for EVCs to have cost benefit information.

X. New Business

There was no new business.

Attest, Donald Senear, Chair
Prepared by Stefani Leto, Analyst
Meeting adjourned at 4:04