

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting – February 3, 2009

I. Announcements and Updates – Chair Patricia Conrad

Report: Chair Conrad summarized highlights of the December Academic Council meeting.

- UCOP is considering Council's request for a Joint Senate-Administrative Task Force to develop a new business plan for the Education Abroad Program.
- Council forwarded Senate comments about the revised draft Accountability Framework to UCOP. There was general disappointment about the extent to which UCOP has incorporated previous recommendations into the document.
- Regent Eddie Island was at the Council meeting to discuss the Senate's eligibility reform proposal. He challenged the Senate to consider what additional steps UC can take to increase access, affordability, and diversity.
- The President's newly formed Enrollment Management Council brings together groups from the Office of Academic Affairs and Academic Senate to evaluate and advise the president about short and long term enrollment options and their impact on the University. Chair Conrad noted UCPB's strong support for the President's enrollment curtailment plan, in relation to the Committee's view that UC needs to send a message that it cannot continue to make room for more unfunded students without damaging the quality of education.
- Council [endorsed the President's Blue and Gold Opportunity Plan](#) and a statement from the University Committee on Faculty Welfare supporting the resumption of employee and employer contributions to UCRP in April 2010, even if the restart has a negative near-term impact on total employee remuneration. The UCFW statement also makes clear that restoring competitiveness to faculty and staff salaries is equally important and asks UCOP to make appropriate improvements in 2010-11. Council also endorsed a UCFW [statement](#) warning employees about the pitfalls of taking the "lump sum cashout" option at retirement instead of lifetime monthly payments.
- All three Compendium committees voiced concerns about the proposed UC Davis School of Nursing, but while UCPB voted against approval, CCGA and UCEP voted to endorse. Council decided to approve the School with an added stipulation that UC Davis do more to address the concerns about financial sustainability and student-faculty ratios.
- At its January meeting, the Academic Council Special Committee on Lab Issues (ACSCOLI) discussed the upcoming search to replace LBNL Director Steve Chu, who was recently appointed U.S. Secretary of Energy. The Federal economic stimulus bill as currently written would include significant funding for basic research in the physical sciences and energy, which would benefit the DOE labs. The UC Lab management team is working on a document about how the labs benefit the University and the nation.

II. Consultation with the Interim UC Provost – Lawrence Pitts

Issue: Former Academic Senate Chair Lawrence Pitts has been appointed the new interim provost, replacing Robert Grey. His many responsibilities will include overseeing the

reorganization of Academic Affairs and the work of a subcommittee discussing creative ideas for responding to the budget crisis.

Professor Pitts said he intends to bring UCPB issues being considered by the Advisory Group for Budget Strategies as quickly as possible, but because the issues are fast moving, some items may arrive with a very short review timeframe. Some ideas will seem distasteful – furloughs or pay cuts, for example – but all options have to be explored, if only to rule them out. He also noted that students will receive their spring quarter Cal Grants as scheduled, but UC will be left with an IOU from the State. Chair Conrad invited Provost Pitts to attend UCPB meetings on a regular basis.

III. Consent Calendar

1. Approval of the February 3, 2009 UCPB Agenda
2. Approval of the January 6, 2008 UCPB Minutes

Action: UCPB approved the consent calendar with a few changes to the January minutes.

IV. Consultation with the Office of the President – Financial Aid

– With Director of Student Financial Support Kate Jeffery

Issue: Director Jeffery joined the meeting to answer questions about the UC financial aid system, which arose during UCPB’s recent review of the Blue and Gold Opportunity Plan.

Report: UC wants to send clear messages about the estimated net cost of a UC education and the available pathways to meet those costs. UC awards a variety of federal, state, and University need-based grants, using the Federal eligibility formula that takes into account factors like family income and assets. UC fulfills 100% of every student’s grant eligibility based on this formula. UC also emphasizes to students that they are expected to take out loans, work part-time, and contribute personal and parental savings to meet the total cost of their education.

The largest state financial aid program is the Cal Grant program. Students determine their eligibility for Cal Grants and for federal aid programs like Pell Grants by completing the Free Application for Federal Student Aid ([FAFSA](#)) form. The Federal need analysis formula expects families with middle and upper level incomes to bear a greater cost burden, although some UC campuses make small adjustments to this formula for State and University-based grants. UC and the federal government use a verification system to tag applications with a higher risk of reporting mistakes for additional review. Students with divorced parents are required to report the incomes of their custodial parent, non-custodial parent, and step-parent on the FAFSA. Undergraduate students may also take the difficult step of applying for independent status.

Six UC campuses use the Federal Direct Student Loan Program. The others use the Federal Family Education Loan Program (FFELP) for which UC publicizes a preferred lender list. UC is concerned about and monitors student indebtedness, and also tracks how much students work and earn. On average, undergraduates leave UC with about \$15,000 of debt. UC considers a “manageable” debt load to involve a repayment schedule equivalent to 9% or less of earnings. A larger number of low income students take out loans, but loan amounts correlate only weakly

with income level. UC will fund grants and loans until a student graduates, even if that exceeds four years.

The Blue and Gold Opportunity Plan will provide additional aid to about 1100 students and does not change existing financial aid programs or formulas. Its primary purpose is to send a message that UC is affordable by clarifying the cost of a UC education and how much grant aid is available. A recent [study](#) indicated that many low income families overestimate the cost of a college education and may not fully understand financial aid options.

The Student Financial Support [website](#) contains useful data and annual reports.

Discussion: One of the most important policy questions is how UC can address inequity in the financial aid system or use its leverage to change federal law. There are insufficient mechanisms in place to monitor students with separated or divorced parents who do not report both incomes or to account for parents who are expected to contribute who do not, either because they are unable or unwilling. The system should also distinguish between students who take five years or longer to graduate as a choice or because they are faced with circumstances outside of their control – e.g., full classes.

V. Budget Consultation with the Office of the President

–Vice President for Budget Operations Patrick Lenz

Report: Vice President Lenz updated UCPB on the status of the California state budget, UC budget issues, and other issues of concern related to budget. He also distributed a chart comparing the Regents' November Budget Request and the Governor's January proposal.

It is unclear when the Legislature will agree to an 18-month budget plan that can carry the required 2/3 vote. UCOP is working on various budget scenarios and their implications for the University, and is advocating against any plan that permanently reduces state funding, forces UC to bear the cost of over-enrollment, or asks UC to provide make-up money for Cal Grant cuts. In addition to the budget shortfall, UC is facing continuing cost increases associated with new students, employee compensation and health care, collective bargaining agreements, and deferred maintenance. A new State commission is considering options for building a more permanently sustainable funding structure into the constitution.

The current version of the Federal economic stimulus bill includes a higher education component; specifically, funding for financial aid, research, and shovel-ready capital projects with an emphasis on technology, energy efficiency, and deferred maintenance. UC prefers a policy that designates the Governor's office as the agency in charge of dispensing stimulus dollars to California higher education, and which gives the state maximum flexibility in how it allocates the funding.

On December 17, the Pooled Money Investment Board (PMIB) suspended all state contracts financed by general obligation and lease revenue bonds, affecting UC projects worth \$1.1 billion. The PMIB also set aside \$500 million to temporarily fund the most critical statewide capital construction projects. UC successfully secured \$68m for these projects and is working with the Department of Finance on a comprehensive plan to address all of UC's critical capital needs.

The State Legislative Analyst recommended against a \$20m state contribution to the UC Retirement Plan. UCOP is leading an effort to encourage the state to live up to its obligation to fully fund the UCRP, and more generally, to correct the perception that UC has sufficient funding to maintain excellence without sufficient state support. UC's excellent management of UCRP has been a huge benefit to the state for 18 years.

Discussion: PMIB's suspension of bond funding also impacts some bond-funded grants supporting research projects at UC. Such projects should be exempt from the suspension or at least included, along with capital construction projects, in UC's request to the PMIB for an exemptions on projects that are $\geq 75\%$ complete. VP Lenz invited UCPB to provide him with a list of specific research projects directly tied to general obligation bonds.

Action: UCPB members will contact their offices of research for a full list of projects that received stop work orders, noting the name of the project and the funding source.

VI. Report from the Meeting of the Task Force on Planning for Professional and Doctoral Education (PDPE) - Trends in Graduate Student Enrollment and Support
– UCPB Vice Chair Norman Oppenheimer

Report: Vice Chair Oppenheimer attended the January meeting of the PDPE, which is discussing how UC can position itself to dramatically increase the number of graduate and professional school students (the target is 20,000 more by 2021). The plan also includes increasing the number of Master's students at UC.

Discussion: UC's comparison institutions produce many more Master's degrees, but they do not necessarily compare well with UC as research institutions. UC is not realistically assessing the resources that will be required to expand the number of graduate students and graduate programs. New programs can be revenue enhancers, but do not necessarily fit in with UC's research mission. UC should not plan increases unless it is sure it will be able to make a financial commitment to fund the students, to grow FTE, and improve the student-faculty ratio.

Action: Chair Conrad will request more information. UCPB will discuss the issue at a future meeting.

VII. Update from the Industry-University Cooperative Research Program (IUCRP)
– Peter Krapp, UCPB representative to the IUCRP Steering Committee

Report: Vice President for Research Beckwith told the Steering Committee that the budget crisis has increased uncertainty about the future of the four University-Industry partnership programs - IUCRP, OTT, MICRO, and Cal ISI. He supports the Monitor Group recommendation for a high-level redesign of these programs to make them smaller and more competitive. This adds to questions and concerns about the future of IUCRP. The Steering Committee is still concerned about a July 2008 redirection of \$2 million from IUCRP to the Office of Technology Transfer (OTT), which also resulted in the loss of an industry match. IUCRP has taken steps to become more streamlined and effective, and it can also point to a proven track record of success. In the recent grant cycle, IUCRP received 73 proposals with company letters of support, the largest single response to a call in program history.

VIII. Campus Reports – Impact of the Budget Crisis on Bond-Funded Capital and Research Projects

Issue: Members shared information about capital construction and research projects affected by the December 17 stop order on bond funding.

UCI: suspended work on two buildings, which impacts recruitment and other campus units that had planned to use the space. The capital construction issues are having an indirect impact on research projects.

UCSD: suspended work on the Telemedicine building project. Other projects are being funded using alternative sources.

UCR: is suspending work on the state-funded geology building, although it is close to completion, which affects faculty planning to move to that building and may force UCR to pay penalty fees to contractors. The campus is continuing temporarily a number of other projects that use a mix of state and campus-based funding.

UCSF: The work stoppage is affecting two capital construction projects. The chancellor has appointed work groups to develop contingencies for a 10% budget reduction each year for the next three years.

UCLA: has cancelled purchase orders on some equipment for the Telemedicine/PRIME facility, which involves the installation of equipment at UCLA and other medical facilities. The Life Sciences Replacement Building involves a significant amount of non-state funding, so the temporary loss of \$7M in state funds will have no immediate impact on construction. No research projects at UCLA have been affected by the suspension of bonds on December 18.

UCB: is suspending construction of the new astrophysics building and discussing ways to address the budget crisis, including scaling back faculty searches and increasing the number of out of state and international students.

UCSB: has suspended the seismic retrofit of the Arts building. The Division of Social Sciences and School of Education buildings are more than 85% complete and will receive funding.

UCD: has suspended work on the renovation and construction of King Hall, home of the UC Davis School of Law, as well as the planned Veterinary Medicine building.

UCM: has two academic buildings. The Social Sciences and Management building is under construction and scheduled to be complete in 2010, and although state funding has been suspended, the campus is going ahead with construction anyway, because it is essential for the growth of the campus as the other two buildings are full. Although student enrollment is steadily increasing, the campus has been forced to implement a staff hiring freeze, and 30 of 45 faculty searches have been frozen. Any capital growth comes out of Merced's small operating budget.

UCSC: The planned Biomedical Sciences building is still on the list for funding. Other projects close to completion will continue.

IX. System-wide Senate Reviews

1. Proposed revisions to APM 240 (deans)

Action: Jim Chalfant and Susan Gillman will draft a memo for review at the March meeting.

X. Consultation with National Laboratory Management

– John Birely, Associate Vice President for Laboratory Programs

Issue: Associate Vice President Birely joined UCPB to learn about the issues and questions UCPB members had about the UC-managed national laboratories so that he could better address them at a future meeting. UCPB also reviewed an [introductory guide to the labs](#) prepared by University Counsel Bill Eklund and former Academic Senate Chair John Oakley. Chair Conrad noted that many faculty know little about the work of the labs and how they benefit UC, the LLC arrangements, and the extent to which faculty there participate in shared governance.

Report: The Academic Council Special Committee on the National Labs (ACSCONL) was formed in 2003 to help advise the President about the decision to compete to continue managing the Los Alamos National Lab and the Lawrence Livermore National Lab. In 2004, ACSCONL [surveyed the faculty](#) on this question, which resulted in a 3-1 vote in favor of competing. Many faculty felt that despite concerns about the LANL's role in nuclear weapons manufacturing, UC is best equipped to manage the labs and provide the scientific research leadership necessary for national security.

In February 2008, the Senate [expressed concern](#) about the possibility of a ramp-up of plutonium “pit” production at the labs and asked the President to monitor and report annually on such production. The Senate was also concerned that the new contract is potentially binding for much longer than the seven years advertised in the bid process. AVP Birely said LANL delivered seven pits last year, but they were used exclusively to back-up ones removed from the stockpile for testing. At this time, the government has no plans to transition to a larger stockpile. He also said the no walk-away clause in the contract was fully disclosed to the Regents and the Senate.

UC insisted the intellectual freedom clause in UC's previous contract remain in the new LLC contract to manage the labs. Most lab researchers have a high level of freedom, but some do work in restricted, high security environments. UC has sole responsibility for the quality of science, people, and facilities at the labs. A Science and Technology Committee oversees a formal, independent peer review system. Roughly 16,000 lab employees made the transition from UC employee to LLC employee. The transition cost the University more than expected, but there was no impact on the UCRS.

Associate Vice President Birely said that ACSCONL's successor committee ACSCOLI continues to provide valuable Senate input into UC's relationship with the labs. The Senate should think about how to build more synergy among the three labs and between the three labs and the ten campuses, and how the labs can be used to contribute to the education of students and further scientific research through collaborative work.

Action: UCPB will contact Associate Director Birely if they need future briefings, and Chair Conrad will inform UCPB about vital information and issues of interest discussed at ACSCOLI.

XI. Restart of UCRP Contributions and Proposed Constitutional Amendment

Issue: The Regents are discussing a proposal to delay the restart of UCRP contributions from the original target of June 2009 to April 2010. Meanwhile, signatures are being gathered to place legislation ([ACA-5](#)) on the California ballot that would transfer governing responsibility for UCRP from The Regents to a board of trustees.

Discussion: Although UCRP has fared better than other public plans over the past two decades without any state contributions and seems to be in better shape than the much larger CalPers or State Teachers Retirement System, the fact is that all pension programs in California are losing value. This is a long term problem for UC. The new funding policy is based on the July 2008 actuarial value, not the current value. There should be no restart of employee contributions to the plan without an equivalent or greater employer match.

The meeting adjourned at 4:00 pm
Minutes prepared by Michael LaBriola
Attest: Patricia Conrad

Distributions:

1. UC Financing Guide for Students and Parents
2. 2009-10 Budget: Comparison of State Funding Requested by the Regents with Governor's January Proposal.