

The Regents of the University of California

**PUBLIC ENGAGEMENT AND DEVELOPMENT COMMITTEE**

March 15, 2017

The Public Engagement and Development Committee met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Kieffer, Lansing, Ortiz Oakley, Pattiz, Ramirez, and Schroeder; Ex officio members Lozano and Napolitano; Advisory members Lemus, Mancina, and White; Chancellor Leland; Interim Chancellor Hexter; Staff Advisor Richmond

In attendance: Secretary and Chief of Staff Shaw, Provost Dorr, Executive Vice President Stobo, Senior Vice Presidents Henderson and Peacock, Vice President Brown, Chancellors Block, Blumenthal, Hawgood, Khosla, and Wilcox, Deputy General Counsel Friedlander, and Recording Secretary McCarthy

The meeting convened at 1:25 p.m. with Committee Chair Kieffer presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of January 25, 2017 were approved.

2. **THE AFFORDABLE CARE ACT – UPDATE AND IMPACT ON UC HEALTH**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer commented that it was difficult to anticipate the fate of the Affordable Care Act (ACA) at the present time. Senior Vice President Peacock reported that the Congressional Budget Office (CBO) had issued a report that had heightened debate around ACA reform proposals.

UC Health Chief Strategy Officer Elizabeth Engel reminded the Committee of the ACA’s key components. The ACA provides subsidies to help low- and moderate-income individuals purchase private insurance within state health insurance marketplaces and additional subsidies to assist low-income individuals with out-of-pocket costs for medical care. The ACA regulates the insurance agencies, including requiring plans to cover people with pre-existing conditions and preventing plans from establishing annual or lifetime limits on coverage. The law requires most health plans to offer a defined set of essential health benefits. Individuals are required to obtain qualifying health coverage or pay a penalty and large employers must offer coverage or pay a fee. The ACA also includes various industry fees and taxes on high earners to offset the cost of coverage. Relevant to UC, the law includes cuts to hospitals’ uncompensated care funds and

Medicare payments. A key issue in the current debate is the ACA's expanded eligibility for Medicaid with the federal government heavily subsidizing the cost of the expansion.

There have been many positive effects of the ACA, including that 20 million more adults had gained health insurance coverage and the nation's uninsured rate was currently at an all-time low below nine percent. In many respects, the ACA had helped drive down escalating costs in the healthcare system. However, the costs of obtaining coverage remained a real concern. In 2017, premiums increased an average of 22 percent. While those who received subsidies to purchase coverage were largely shielded from those increases, more insured Americans were experiencing difficulty affording coverage. The stability of the market was another concern, as major health plans have exited the ACA exchanges resulting in less competition in certain regions. Insurance premiums had not increased in California as much as they had elsewhere and the exchange still offered many options for consumers. In California, the ACA and Medicaid expansion combined to reduce the rate of uninsured by 59 percent. From UC Health's perspective, people with comprehensive health insurance coverage have access to regular, preventive, coordinated care, resulting in better outcomes and better health for patients, and reduced long-term costs.

Ms. Engel provided an update on recent events in the federal government around the ACA. President Trump's administration had taken steps to allow for delay or waiver of certain ACA provisions and Congress was currently debating the provisions of the ACA to be repealed and how they would be replaced. Leadership in the House of Representatives was moving forward with legislation to repeal and replace the ACA. Proposed legislation would repeal the ACA's premium subsidies, which currently vary by income and cost of coverage, and replace them with age-related tax credits ranging from \$2,000 to \$4,000 for individuals making \$75,000 or less annually. The proposed legislation would also repeal the subsidies that assist lower-income individuals with out-of-pocket costs as well as repeal the ACA's individual mandate and replace it with a continuous coverage requirement, allowing insurers to charge 30 percent higher premiums to individuals who have a lapse in coverage. The bill would enhance and expand health savings accounts and allow insurers to offer plans of lower actuarial value, allowing the exchanges to offer additional options that may have lower premiums but higher deductibles and out-of-pocket costs. Currently the bill would continue the ACA's key insurance protections for consumers, but would allow insurers to charge older adults five times more than they charge younger adults for the same coverage. The bill would repeal most of the ACA's taxes and industry fees, with the notable exception that the bill leaves in place cuts to hospitals' uncompensated care funds in states like California that expanded Medicaid.

In an issue central to the current debate, House leadership was looking to restructure the Medicaid program fundamentally by changing it from an entitlement to a per capita capped amount provided to the states. Currently the federal government matches State Medicaid spending on an open-ended basis, paying a fixed percentage of a state's allowable Medicaid costs, thus automatically responding to increases in demand. Under a per capita capped allotment, states would receive a fixed amount of federal funding per

beneficiary; states would therefore be responsible for 100 percent of costs above the cap on federal funds. Proposals to cap the amount of federal Medicaid funding that states receive would likely result in cuts within state Medicaid programs. To compensate for federal cuts, states would either have to contribute their own funding or, more likely given tight budgets, be forced to limit eligibility, benefits, and payments to providers. Since academic medical centers like those in UC Health are pillars of the healthcare safety net and serve a disproportionate share of Medicaid beneficiaries, these proposals to restructure Medicaid could significantly affect them. Ms. Engel said the practical reality of the bill would mean significant cuts to Medicaid funding because the capped amount of federal funding would not keep up with actual growth in Medicaid costs. The CBO estimated that the bill would result in \$880 billion in federal Medicaid cuts over the next ten years; by 2026, the House's Medicaid proposals would amount to a 25 percent annual cut in federal funding. The CBO report estimated that 14 million Americans would lose their health insurance coverage in 2018 and as many as 24 million by 2026, and that premiums would increase in the next two years by 15 to 20 percent. CBO noted that in the long term premiums would decline, but individuals would have lower subsidies and less robust coverage. Most moderate and low-income individuals would pay more in premiums for coverage with higher deductibles and copayments.

Ms. Engel explained that the impact to California of the proposed legislation would be tremendous: \$4.6 billion in premium subsidies to more than 1.2 million 2016 enrollees in Covered California, the ACA insurance exchange; \$800 million in cost-sharing subsidies to Covered California enrollees; \$21 billion in federal funding for 3.7 million newly eligible adults in Medicaid; and huge cuts to Medicaid funding.

Senior Vice President Peacock discussed his office's activities around the ACA on behalf of the University and the patients it serves. The University established principles outlining the University's position, including ensuring continuous and affordable comprehensive coverage and protecting UC's academic medical centers' capacity to serve as vital safety nets to vulnerable populations. UC had been very active in its advocacy with California's Congressional delegation. Executive Vice President Stobo sent a letter the prior week outlining UC Health's principles and concerns with the House proposal. UC's Office of Government Relations had met with California Senators Dianne Feinstein and Kamala Harris, Majority Leader Kevin McCarthy, Minority Leader Nancy Pelosi, Representatives Tom McClintock, Darrell Issa, Jeff Denham, and all interested Republicans. UC was also collaborating with national organizations to coordinate strategy, strengthen its message, and broaden its reach. Mr. Peacock said the outcome of the ACA legislation was uncertain.

Committee Chair Kieffer said the Committee would look forward to further updates on this subject of great importance to the University.

Regent Lansing asked that the Office of Government Relations provide this Committee and the Health Services Committee updates on significant movement regarding ACA legislation should important developments occur before the next meeting.

### 3. UPDATE ON STATE BUDGET PROCESS

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Interim Associate Vice President Kieran Flaherty provided an update on the State budget process. The Office of State Government Relations (SGR) was working to secure the general fund portion of UC's budget. Governor Brown presented his budget plan on January 10. The Legislative Analyst's detailed review was released in February and the Legislature would conduct its overview hearings. Revenue projections would be updated by April and the Governor would submit an updated budget, the May Revision, in early May. According to the State Constitution, the Legislature must pass the budget by June 15, and the Governor must sign it by July 1.

The Governor's budget proposal for UC aligns with the framework negotiated between the University and the administration. SGR had requested that the Legislature approve the Governor's proposal. In addition, the University would request State funding of \$25 million for enrollment of 2,500 additional California undergraduates, \$9 million to enroll 900 additional graduate students, \$35 million for deferred maintenance, and some other priorities to follow up on one-time funding provided in prior years.

Mr. Flaherty reported that on March 9 President Napolitano, Regent and California Community College Chancellor Ortiz Oakley, and California State University (CSU) Chancellor Timothy White testified before the Assembly Budget Subcommittee No. 2 on Education Finance. President Napolitano recounted that recent State budgets have allowed UC to expand access to California residents, and how UC and State financial aid combine to maintain affordability. She also outlined how the University has used one-time funds provided in the prior year for student support services, innovation and entrepreneurship, and improving faculty diversity. Great interest was shown in the Assembly hearing in undergraduate and graduate enrollment planning, growth, and funding. There was some discussion about issues raised in the 2016 State audit of UC, particularly about admission standards for nonresident undergraduates and efficiencies in savings. UC and CSU leadership also testified before the State Senate Subcommittee No. 1 on Education hearing. Tuition and some issues raised in the 2016 State audit related to compensation were raised, but much of the discussion centered on UC's plans for enrollment growth. Capital facilities and the need to address deferred maintenance were also discussed robustly.

Mr. Flaherty advised that, as in other years, much would depend on the Governor's May Revision. However, State priorities related to research, health care, and infrastructure could be affected by the State's receipt of federal funding and potential changes to federal policy, which could have a big effect on State general fund budget decisions for higher education. Key areas that could be profoundly affected include support for students who qualify under the Development, Relief and Education for Alien Minors Act and other undocumented Californians, affordable housing, early education and childcare, and Medi-Cal funding.

Mr. Flaherty displayed a graph showing the size of past annual fluctuations in State tax revenue, which affects the amount of State general fund revenue available. Revenue projections would be very important in the coming months and SGR would be nimble in addressing the University's highest priorities and collaborating with the Legislature and the administration to address joint priorities.

Mr. Flaherty explained that the Degrees Not Debt scholarship program just introduced in the State Assembly focused on the total cost of education, not just tuition, to create a path to debt-free college. There was an informational hearing on this bill before the Assembly Budget Subcommittee the prior day. The program would be for students currently eligible for State or institutional financial aid, including those who receive Cal Grants or Middle Class Scholarship aid, or UC financial aid, to receive grant funds up to their total cost of attendance, after both a family and a student self-help component. Total cost estimates were \$1.5 billion, assuming that the cost of education remained at current levels, that students would work full time during the summer and 15 hours per week during the school year, and that the Middle Class Scholarship would be fully implemented. SGR would analyze the bill and would work with the Legislature in support.

Committee Chair Kieffer reported that he had met recently with Assembly members Ting and McCarty to discuss issues facing the University. He asked Mr. Flaherty to elaborate on the importance of the additional \$9 million sought for graduate student funding. Mr. Flaherty explained that, since UC's undergraduate enrollment had grown significantly, more graduate students were needed in their crucial roles in supporting faculty as researchers and as teaching assistants necessary to offer sufficient course sections so that undergraduates can graduate on time. UC graduate students are future higher education teachers and also fill California workforce needs after graduation, playing an important role in the state's innovation economy.

Regent Lansing expressed her view that the Regents should advocate for the Degrees Not Debt bill. Committee Chair Kieffer said the assumptions underlying the bill would have to be evaluated. Mr. Flaherty agreed. Regent Elliott asked for an assessment of the bill's likelihood of success, given its cost. Mr. Flaherty responded that the program would be phased in, noting that at this point the bill was only an Assembly proposal and would require a great deal of collaboration with the State Senate and the Governor's administration.

Regent Ortiz Oakley requested that the Committee be kept abreast of developments on the Degrees Not Debt bill. He also emphasized that the Office of the President should have sufficient resources necessary for successful advocacy in Sacramento. He asked if the Office of Government Relations had sufficient staff and resources. Mr. Peacock responded that his office was in the process of filling two staff vacancies. President Napolitano affirmed that she is fully supported by SGR and fully prepared when she is in Sacramento.

#### 4. **OVERVIEW OF STATE ADVOCACY EFFORTS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Senior Vice President Peacock introduced Associate Director Meredith Turner, who leads the Office of Government Relations' State advocacy efforts. Ms. Turner described the recent efforts to take a fresh look at advocacy efforts in Sacramento in order to identify new opportunities to better engage and cultivate UC's advocates, find compelling ways to share information about the value of the University, and ensure better coordination among State Government Relations (SGR) and the various divisions within the Office of the President (UCOP) and UC campuses.

In coordination with the UCOP Marketing Communications team, the Office of Government Relations developed a new theme for advocacy efforts, "Grow California Together," reflecting UC's growth in California undergraduates, research, innovation and entrepreneurship, and social mobility of Californians. UC has shared goals and values with the Legislature; UC wants to work as a resource with the Legislature to achieve these goals. A successful advocacy theme cannot only be a request for additional State resources, nor an intermittent, occasional approach, but rather should be a concept that can be used repeatedly that would become recognizable to legislators and adaptable across the breadth of UC and changes in Sacramento. The new theme was previewed recently at UC Day and with a variety of stakeholders, including alumni and UC campuses, which could integrate their advocacy efforts into this overarching theme.

SGR leads the UC Legislative Roundtable, comprised of legislators from districts with a UC campus, medical center, or UC-affiliated National Laboratory. Traditionally, the Roundtable had been a forum for the President of the University to connect directly with legislators on pressing issues. In coordination with the new chair of the Roundtable, State Senator Hannah-Beth Jackson, SGR was considering ways to expand the scope of the Roundtable to share UC research on issues of interest to legislators and to help them lead public policy efforts on new issues and technologies.

SGR collaborates with a variety of UC advocates such as alumni, students, faculty, staff, and community members. An electronic advocacy tool is used to keep stakeholders informed about events in Sacramento, and enlist stakeholders to share their stories on the value of UC. SGR is evaluating these tools to find the best way to leverage these technologies to better cultivate and engage its advocates, exploring ways to amplify its advocacy through social media. In collaboration with UCOP Marketing Communications, SGR recently rebranded its advocacy website and social media channels to focus on the core of the University, its students, research, public service, and the important role that UC plays within California. The goal is to facilitate advocates' lending their voices to issues important to them and to the University. Social media can also be helpful to legislators and the State in their work on mutual public policy goals. Social media would also be used to highlight UC's public service work on important issues such as potential changes to federal immigration policy.

Committee Chair Kieffer asked if the social media described by Ms. Turner reached UC's alumni. Ms. Turner responded that, at the current time, the new social media did not reach all UC alumni. Part of SGR's long-term goal is to increase the number of followers of its social media sites.

Regent-designate Mancina commented that a consistent marketing message would be effective in promoting UC advocacy.

Regent Ortiz Oakley expressed his strong support for continuation of these advocacy efforts that engage the entire UC family.

Chair Lozano noted that UC had not produced a comprehensive economic impact report since 2011, detailing and quantifying the benefits of UC to the state. She said a new economic impact study should be conducted and validated by an independent third party.

## 5. **COMMUNITY OUTREACH AND IMPACTS, SAN DIEGO CAMPUS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer commented on the importance of the University's public service. Executive Vice President Henderson said UC San Diego's presentation would describe its efforts with its local community to identify needs for public service and campus engagement.

Chancellor Khosla noted that the UC San Diego framework for sustainable excellence described its mission, which is to transform California and a diverse society by educating, generating, and disseminating knowledge and creative works and engaging in public service. For the past seven years, UC San Diego was ranked first by *Washington Monthly* on three criteria: research productivity, social mobility, and public service. UC San Diego's community outreach had expanded significantly, given impetus by development of its strategic plan with input from more than 10,000 community members.

Through this process, Chancellor Khosla learned the importance to the local community of local students having access to a UC San Diego education. Lower-income areas of San Diego expressed particular concern about those communities' access to UC San Diego. In response, UC San Diego established programs so that the local community would see UC San Diego as an integral part of its community.

One such program was the Chancellor's Associates Scholarship (CAS) program to provide loan-free, full scholarships for low-income students from certain disadvantaged public high schools, community colleges, and other organizations that have a large number of underrepresented minority families. For students who had free tuition under UC's Blue and Gold Opportunity Plan and whose family expected contribution was zero because their families earned less than \$80,000 per year, the campus guaranteed \$10,000 of self-help in scholarships, enabling these students to attend UC for four years

loan-free. The CAS program had 200 scholars in academic year 2015-16, 400 in 2016-17, and Chancellor Khosla asserted his goal of having 800 scholars. This program has been extremely successful and has changed the lives of many local students. Fundraising proceeds are used to support CAS. UC San Diego provides program participants faculty and peer mentoring to help them integrate into the UC San Diego community, guaranteed University housing, priority course enrollment, a summer transition program, individualized academic counseling, career and graduate school advising, seminar courses in critical thinking, leadership development, and communication training.

Chancellor Khosla introduced CAS program participants Michael Markulin and Preston Hale. Mr. Markulin, son of Croatian immigrants and raised since age five by a single mother, said that fault in a terrible car accident led to his being sentenced to three years in prison. After his release from prison in March 2014, he worked, attended community college, was admitted to UC San Diego, and chosen as a CAS recipient. The scholarship allowed him to attend UC San Diego with the time to focus on his school work and, for him, a second chance at life. In his first quarter at UC San Diego in fall 2016, Mr. Markulin earned a 4.0 grade point average and hopes to attend graduate school. He currently volunteers with the CAS program to help the subsequent student cohort and in outreach to penitentiary inmates.

Mr. Hale said he would graduate from UC San Diego with a degree in bioscience. He said he was from a working-class family and recalled the variety of jobs he had held. Working part-time as a personal trainer while going to school full time was very difficult, but he graduated from community college with a 3.8 GPA and was accepted to UC San Diego. Mr. Hale received a CAS of \$10,000 a year for two years. He expressed great appreciation for the guidance and friendships he found through the CAS program. Mr. Hale is currently a CAS peer leader, mentoring ten incoming CAS transfer students.

Chancellor Khosla expressed pride in these CAS students. He reported that the CAS program currently has 400 participants at a cost of \$4 million per year, with the goal of expanding the program to 800 or even 1,000 students. He noted that tuition from nonresident students can help programs such as CAS.

Another need cited by the San Diego community was assistance in teaching science, which aligns with UC San Diego's goal of increasing diversity in fields of science, technology, engineering, and mathematics (STEM). UC San Diego would benefit from its incoming students being better prepared in STEM fields. UC San Diego created numerous community partnerships with local schools, libraries, and other education centers to prepare local students for the rigors of a UC education. The CREATE STEM Success Initiative is working to improve the San Diego region's K-20 STEM education by linking UC San Diego faculty, staff, and students and the San Diego education community in a shared effort to support STEM teaching and learning, involving more than 250 schools. Another program is a partnership with the Sycuan Education Department and Viejas Tribal Education Center giving students hands-on experience in courses on the UC San Diego campus and in other locations to nurture a college-bound culture for Native American students. The Network of Education x Training is a pilot



program at the San Diego Central Library, where UC San Diego offers courses in computer programming to students from a number of local schools. The campus plans to increase the program to ten library branches in the upcoming year to offer cutting-edge training to students in diverse communities.

Chancellor Khosla said UC San Diego had also expanded its outreach in the area of marine science education through the Birch Aquarium Express van, which travels to local schools, reaching up to 14,000 students, funded by a \$6 million gift from the Price Philanthropies. This program had been particularly successful in outreach to young girls, many of whom had never before been to the beach.

The local community also expressed the need for UC San Diego innovation to strengthen the local economy. By expanding the Innovative Cultural and Education Hub in Downtown San Diego, the campus demonstrated its commitment to support economic development and expand the University's educational reach to diverse communities throughout the region. The new hub will be served by the San Diego light rail system, which will come to UC San Diego's campus innovation hub in 2021, linking the two centers.

Regent Ortiz Oakley expressed appreciation for this effort, commenting that students in the CAS program provided evidence of the value of increasing the transfer function from California Community Colleges to UC. He asked if UC San Diego had a two-to-one ratio of freshmen to transfer students. Chancellor Khosla answered in the affirmative.

Regent Ramirez expressed appreciation for the narratives of Mr. Markulin and Mr. Hale.

Staff Advisor Richmond expressed hope that UC would continue this type of connection with local communities.

Regent Lansing added her congratulations to Mr. Markulin and Mr. Hale for their inspiring stories.

## 6. **ENDORSEMENT OF COMPREHENSIVE CAMPAIGN, SAN DIEGO CAMPUS**

The President of the University recommended that the Regents endorse the public phase of the San Diego campus fundraising campaign, *The Campaign for UC San Diego* with a total goal of \$2 billion.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chancellor Khosla introduced this request that the Regents endorse *The Campaign for UC San Diego*, a \$2 billion comprehensive fundraising campaign. He expressed his view that his campus should always be in some phase of a campaign. The silent phase of this campaign had already raised \$1.2 billion from more than 90,000 unique donors, including \$170 million in first six months of the current year. The campaign has a goal of

expanding the campus' donor base of alumni, local donors, and grateful patients, to create a culture of philanthropy which is sustainable. He expressed hope that the campaign would result in a steady stream of \$300 million in annual philanthropy.

Chancellor Khosla explained the campaign's three priorities. The campaign's first priority is to enhance the student experience for both undergraduate and graduate students, by increasing scholarships and fellowships, increasing accessibility and affordability, expanding student services and programs, and enhancing the health and well-being of students. The second goal is to enrich the UC San Diego campus community by creating a living-learning infrastructure to meet evolving needs, to promote community, and to modernize teaching and research facilities. The campus is currently building two new classroom buildings with no State funding. The campaign's final priority is to spark research and innovation by increasing the number of endowed chairs and fellowships, and building transformational research programs.

As of June 30, 2012 UC San Diego's endowment held \$555 million; as of June 30, 2016, its endowment had grown to \$1.3 billion. The silent phase of *The Campaign for UC San Diego* had enabled the campus to add 46 endowed chairs to its previous 158 endowed chairs; Chancellor Khosla said the campaign's goal is to establish 96 more endowed chairs, for a total of 300. He expressed confidence that the campaign would reach its goals ahead of schedule. The public phase of the campaign would be led through a volunteer leadership program, with honorary co-chairs Joan and Irwin Jacobs, Ernest Rady, and Denny Sanford, who had each given more than \$100 million. The campaign had 47 volunteer leaders, more than half alumni, which was a new record for alumni involvement in campaign leadership. In the campus' last campaign, 98 percent of leadership were community members and alumni donated less than \$20 million; in the silent phase of *The Campaign for UC San Diego* alumni donated more than \$100 million. The public phase would launch on March 25; Chancellor Khosla expressed hope that the Regents would attend.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 2:50 p.m.

Attest:

Secretary and Chief of Staff