

The Regents of the University of California

**ACADEMIC AND STUDENT AFFAIRS COMMITTEE
FINANCE AND CAPITAL STRATEGIES COMMITTEE**

September 22, 2022

The Academic and Student Affairs Committee and the Finance and Capital Strategies Committee met jointly on the above date at the Price Center, San Diego campus, and by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Representing the Academic and Student Affairs Committee: Regents Anguiano, Batchlor, Blas Pedral, Elliott, Park, Sures, and Timmons; Ex officio members Drake and Leib; Advisory member Steintrager; Chancellors Block, Christ, Larive, Wilcox, and Yang; Staff Advisor Lakireddy

Representing the Finance and Capital Strategies Committee: Regents Cohen, Makarechian, Matosantos, Ortiz Oakley, and Reilly; Ex officio members Drake and Leib; Advisory members Ellis, Raznick, and Cochran; Chancellors Gillman, Hawgood, Khosla, May, and Muñoz; Staff Advisor Mackness

In attendance: Interim Secretary and Chief of Staff Lyall, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Senior Vice President Colburn, Vice Presidents Brown and Gullatt

The meeting convened at 2:30 p.m. with Finance and Capital Strategies Committee Chair Cohen presiding.

1. STRATEGIC CAMPUS OVERVIEW, BERKELEY 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.]

Chancellor Christ began by acknowledging the trauma everyone experienced due to the global pandemic and the joy and challenges the University faces as it rebuilds community. She expressed gratitude for the work, dedication and creativity that faculty, students, and staff showed during the pandemic. She also thanked the State Legislature for its generosity to the University in this year's budget.

She explained that the presentation would be structured as a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), which would demonstrate the complexity of Berkeley's situation.

Strengths

Chancellor Christ observed that Berkeley's rankings and the extraordinary awards and honors that its faculty have won are well known. What is less well known is that Berkeley's student body is increasingly diverse. She reported a 27 percent increase in new undergraduate Black students and a 46 percent increase in new Latino students between Fall 2018 and Fall 2021. The increase at the graduate student level was even greater, with an 86 percent increase in new Black graduate students and a 63 percent increase in new Latino graduate students.

However, Chancellor Christ reflected that more progress can be made and that some demographic trends are not positive. For example, the percentage of first-generation students has remained flat at 29 percent and the percentage of Pell Grant recipients has declined from 33 percent to 27 percent over the past decade. She added that although students from these groups have been admitted, they have chosen not to attend, which she attributed to the cost of attendance, particularly the high cost of housing and Berkeley's high "self-help" level. She stated that the campus had taken steps to reverse this trend for Pell-eligible students, lowering the self-help level expected in the first year and implementing tiered self-help contributions. The campus will monitor the effect of these interventions.

Chancellor Christ stated that Berkeley had also made progress on diversifying its faculty. She recalled that 50 percent of the ladder-rank faculty hired in 2020-21 were women (compared to 35 percent of the faculty overall) and that 24 percent of new hires identified as part of historically marginalized groups (as opposed to 12 percent of the faculty overall).

Finally, she remarked that entrepreneurship is very active on campus, from incubators to campus-held venture capital funds, to entrepreneurship programs in the curriculum. She emphasized the transformational nature of the campus' 90-year partnership with the Lawrence Berkeley National Laboratory.

Weaknesses

Chancellor Christ lamented that Berkeley houses the lowest percentage of undergraduates of any UC campus. She noted that despite this year's generous State budget, State funding had been declining in both nominal and real dollars for decades. While the student body had grown by 47 percent, the size of the faculty had remained the same, resulting in a substantial increase in the student-faculty ratio. One of the consequences of this is the campus' inability to meet student preferences for high-demand courses and majors.

She observed that although funding for UC as a whole has increased, the share per student at Berkeley has decreased over decades. She asserted that a fundamental financial challenge for the UC system is that State support, tuition, and fees do not cover the cost of undergraduate education. That gap had been filled with philanthropy and cash investment strategies, both of which are unpredictable and subject to external market forces. She stated that the Berkeley campus has depleted central reserves to maintain standards of instruction and she expected them to be fully depleted by the close of fiscal year 2023.

Threats

Chancellor Christ emphasized that deferred maintenance and the seismic condition of its buildings are the most serious threats to Berkeley's continued excellence. She observed that Berkeley is the oldest campus, it sits on a fault line, and 40 percent of deferred maintenance across the system is on the Berkeley campus. One hundred and eighty of its buildings are rated V, VI, or VII, seismically poor ratings. The combination of seismic retrofit and deferred maintenance needs on campus is an \$8.58 billion problem with no funding source. She observed that this is a problem for faculty recruitment and has become a key issue in retention cases in Chemistry, Physics, Biology and Economics. She commented that faculty in Evans Hall, which includes the Economics Department, do not feel safe and want to move, but there is no place to move them to. A recent report from the Chancellor's Advisory Committee described the ways in which deferred maintenance hinders research in the Life Sciences. For instance, temperature fluctuations and flooding of sewage had destroyed expensive scientific equipment and research experiments.

Chancellor Christ identified another threat as the statewide pressure to grow, a pressure intensified by Berkeley's increasing competitiveness. In just 25 years, the campus has gone from admitting one in two applicants to one in seven applicants. This challenge is exacerbated by local legal and political barriers to growth such as lawsuits and neighborhood hostility to development. Berkeley also faces resistance to admitting students from outside California, which she characterized as mistaken, as they often stay and enrich the state.

Opportunities

Chancellor Christ announced that the campus is about to establish its first new college in over 50 years – the College of Computing, Data Science, and Society. She noted that data science is the fastest growing major at Berkeley and the new Gateway Building, which is under construction, will house the new college.

Berkeley is also developing a campus at Moffett Field for both industry partnerships and academic programs, concentrating initially on aerospace. The campus has also decided to use land it owns at the Richmond Field Station to expand campus capacity. However, how it will fund the infrastructure and construction, as well as the academic focus, is yet to be determined.

Chancellor Christ revealed that in the short term, Berkeley will expand enrollment capacity via online learning, including creating new professional degrees and certificates, course offerings at the undergraduate level to relieve bottleneck courses, and summer minors, all of which are opportunities to create flexibility and "elasticity of place" for undergraduates.

Berkeley is also seeking to expand its partnership with UCSF, as they have complementary strengths. Berkeley can offer UCSF excellent academic programs in areas that are

increasingly important to clinical research, such as engineering and data science, and UCSF can offer Berkeley access to the clinical enterprise. She noted that the two campuses have well-developed collaborative research and joint degree programs, including a recently approved Ph.D. in computational precision health.

Finally, she stated that Berkeley is moving toward full electrification of the campus, with a microgrid replacing an old cogeneration plant. This will eliminate 80 percent of campus carbon emissions. She noted her gratitude to the State Legislature and the Governor for funding the first stage of this project.

Chancellor Christ reviewed the campus' strategic plan, approved in 2018 with the following goals: (1) empowering engaged thinkers and global citizens to change our world, which it is pursuing through a series of initiatives designed to improve the student experience; (2) focusing on the good: innovative solutions for society's great challenges, concentrating on climate change, the future of human health, the relationship between artificial and human intelligence, the future of democracy, and innovation and entrepreneurship; and (3) embracing the California spirit: diverse, inclusive and entrepreneurial, in which the campus is seeking to increase demographic diversity and creating an inclusive community. She observed that meeting these goals rests on a revitalized capital, financial and technological infrastructure.

Chancellor Christ reflected that the campus has been assessing progress toward the goals of its strategic plan. She noted that graduation rates have improved modestly, but that a gap remains that the campus is striving to eliminate. Berkeley is increasing its housing capacity but has a long way to go to meet its goal of two years of guaranteed housing for freshman admits and one year for transfer and graduate students. She hoped that the campus would increase its ladder rank faculty through philanthropy, noting that to date, Berkeley raised money for 31 new philanthropically funded faculty FTE, toward a goal of 100.

Chancellor Christ stated that the campus is in the final 15 months of a \$6 billion fundraising campaign and already raised \$5.8 billion of the goal, including a record \$1.2 billion in the past fiscal year. The campus is now focused on completing the goals within the campaign for graduate fellowships, faculty positions, and capital projects.

In summary, she stated that Berkeley is a world-leading campus characterized by brilliant students, faculty, and staff who teach, discover, innovate, learn, and challenge society to realize its full potential. But it is at risk of decline due to structural issues in funding models for undergraduate education due to a worsening student-faculty ratio and research infrastructure modernization, including adequate classrooms, student housing, and seismic safety. The campus is planning and fundraising to continue to be a global leader. But it needs additional help from the State, with both resources and flexibility. She asked the Regents to help advocate for seismic and deferred maintenance funding, and to provide the campus with the flexibility to develop new revenue streams.

Regent Sures remarked on the cost of seismic mitigation, noting that it is unrealistic that sufficient funds would be available to solve the problem, and asked about a backup plan. Chancellor Christ replied that the campus is working on a plan to identify sources of campus funding that will create a budget of approximately \$30 million per year for deferred maintenance. Berkeley is also addressing some of the seismic issues through philanthropy. For example, the new Gateway Building for data science is funded through philanthropy and will also house programs that are currently located in seismically challenged buildings. But she asserted that the campus cannot solve the seismic problem without the help of the State and noted that deferred maintenance has relatively low appeal to donors.

Regent Sures commented on the contradiction of increasing enrollment at Berkeley without the facilities to accommodate new students. Chancellor Christ agreed that it is difficult to increase enrollment without additional capital expenditure. She opined that the greatest weakness of the University of California is the lack of a capital expenditure plan that will allow it both to deal with deferred maintenance and seismic issues and to provide facilities to enable increases in enrollment. Executive Vice President and Chief Financial Officer Brostrom observed that Chancellor Christ has been extremely creative in finding ways to address this issue. For instance, with increased remote work, there are plans to repurpose campus administrative space for other uses. Regent Sures replied that this is a short-term solution; it does not create additional space. Mr. Brostrom acknowledged this point but countered that it is a way to address urgent risk. Chancellor Christ reiterated that there are two options for accommodating more students at Berkeley: more robust use of online courses and finding a way to finance infrastructure and construction at the Richmond Field Station, which is a 15-minute drive from campus. In addition, she hoped that in ten years development at Moffett Field would provide capacity for additional enrollment.

President Drake remarked that ideally, the University would receive funding to hire faculty before it increases student enrollment but observed that often the reverse is true.

Regent Park was struck by “a tale of two UCs” in which campuses simultaneously experience incredible innovation and serious challenges. She believed that while Berkeley had made great strides in increasing diversity, it began from a very low base with much room for improvement. She urged the campus to redouble its efforts to hire diverse faculty. Regent Park requested a discussion about capital investment in deferred maintenance at all the campuses at a future meeting.

Regent Ellis applauded the Berkeley campus’ creative efforts to deal with this problem. He opined that the University needs a strategy to address deferred maintenance in new buildings, as well as old ones. He expressed thanks to the donors who support all of the campuses, including Berkeley.

Regent Makarechian asked how much debt capacity the Berkeley campus has. Mr. Brostrom replied that Berkeley’s capacity to issue debt is constrained, except for building housing, because it does not have an independent source of revenue generation. Regent Makarechian asked what proportion of buildings on campus have a seismic rating

of VII. Mr. Brostrom replied that all category VII buildings are vacated. Addressing the seismic safety of buildings rated VI is the highest priority. The University also is studying category V buildings to determine what level of seismic retrofit is necessary. Chancellor Christ noted that several instructional buildings are rated VI, including Davis, McLaughlin, and Evans Halls. Regent Makarechian opined that the University must find a way to address this issue.

Regent Makarechian asked how buildings currently are maintained. Mr. Brostrom replied that most campuses have a deferred maintenance budget. The University also highlights this in its State budget request. Last year, the University requested \$1.7 million in one-time funds for energy efficiency, seismic, and deferred maintenance projects. He conveyed his hope that there will be a General Obligation bond on the ballot in 2024 to fund this need.

Regent Reilly asked how much money the University would have received if Proposition 13 had passed in 2020. Mr. Brostrom replied that it would have received about \$2 billion to be divided among the campuses. Chancellor Christ added that at Berkeley, this would have been used to replace Evans Hall. Regent Reilly commented that the Regents should think about when to advocate for another bond measure.

Regent Anguiano recalled that a recent article in *Foreign Affairs* argued that the crisis in American education is a national security threat. She argued that the ability to educate more people is a matter of global competitiveness and that the University must find ways to increase the number of degrees through technology. She did not understand why the University cannot figure out how to create high-quality online degrees.

She also opined that in addition to funding deferred maintenance at the older campuses, the University must find ways to support the campuses that are growing and that educate more black and brown students. The University must invest in those campuses so that it does not create an inequitable system of education.

Regent Matosantos remarked that when the budget is presented, she would like to know how the growth in funding generated from the compact with the Governor could integrate with the capital plan. She asked how innovation can create opportunities for new funding streams to help fund infrastructure. Mr. Brostrom recalled that the University worked with both Regents Cohen and Matosantos when they served as State Director of Finance to pass AB94, which allowed the University to direct a portion of its State appropriation for operations to capital renewal. Since 2013, the University has issued over \$2.3 billion of bonds for capital renewal projects backed by that source of funds.

Regent Matosantos explained that debt service on the five percent increase in the overall base budget would generate growth over time. That source of new revenue could be used for infrastructure. Mr. Brostrom concurred.

Staff Advisor Mackness thanked Chancellor Christ for her extraordinary leadership, opining that she is an advocate for staff and students, and made a commitment to double student housing.

President Drake mentioned that the student-faculty ratio is not only important for teaching, but also for research. Faculty weigh these factors when considering joining the University.

He reflected that the job of stewarding UC Berkeley is a challenge, and that Chancellor Christ has done a wonderful job of leading the campus.

Finally, he remarked that he had the privilege of speaking at the memorial service for former UC Santa Cruz Chancellor Pister, who was also a former Dean at Berkeley and had a 70-year association with the Berkeley campus. It was an opportunity to reflect on Chancellor Pister's life and what the University meant to him, as well as to the State and nation. He commented that Berkeley is a jewel in the crown.

The meeting adjourned at 3:05 p.m.

Attest:

Secretary and Chief of Staff

Pending Approval