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December 4, 2017

Director Michael Cohen
Department of Finance
915 L Street
Sacramento, California 95814

The Honorable Holly J. Mitchell, Chair
Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Director Cohen and Senator Mitchell:

Pursuant to Item 6440-001-0001, Provision 1, of the 2015-16 Supplemental Report of the 2015-16 Budget Package, enclosed is the University of California's update report to the Department of Finance and the Legislature on *Operational Changes*.

If you have any questions regarding this report, Associate Vice President David Alcocer would be pleased to speak with you. David can be reached by telephone at (510) 987-9113, or by email at David.Alcocer@ucop.edu.

Yours very truly,

Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review
The Honorable Anthony J. Portantino, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Ms. Cheryl Black)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)

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(Attn: Mrs. Katie Sperla)

Ms. Peggy Collins, Joint Legislative Budget Committee
Mr. Danny Alvarez, Secretary of the Senate
Ms. Tina McGee, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. Jim Lasky, Legislative Counsel Bureau
Mr. E. Dotson Wilson, Chief Clerk of the Assembly
Mr. Jeff Bell, Department of Finance
Mr. Christian Osmena, Department of Finance
Mr. Jack Zwald, Department of Finance
Ms. Tina McGee, Legislative Analyst's Office
Mr. Mac Taylor, Legislative Analyst's Office
Mr. Jason Constantouros, Legislative Analyst's Office
Provost and Executive Vice President Michael Brown
Executive Vice President and Chief Financial Officer Nathan Brostrom
Vice President Pamela Brown
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty
Chief Policy Advisor and Executive Director Jenny Kao
Chief of Staff to the Chief Financial Officer Oren Gabriel
Manager Bruce Kennedy

UNIVERSITY OF CALIFORNIA

Operational Changes Update

The following serves as a status report of operational changes undertaken by the University of California as a result of the Select Advisory Committee on the Cost Structure of the University. The initiatives relating to these changes fall into five main categories:

- Pension Liability
- Transfer Function
- Student Progress and Time-to-Degree
- Instructional Costs and Improved Student Outcomes
- Compensation and Personnel Reporting

Within the first four of these categories, each relevant initiative will be described and will include an update on the implementation status. The fifth category is reported on separately, as has been the case in the status reports for the two prior years as well.

Pension Liability

Implementation of PEPRAs Pensionable Salary Cap (Had been completed at time of 2016 Update Report)

Goal: Achieve Regental approval of a cap on pensionable salary at the same rate as the State's Public Employee Pension Reform Act (PEPRA) cap for the defined benefit plan for employees hired on or after July 1, 2016; convene a retirement options task force to advise on the design of new retirement options that will include the new defined benefit pensionable salary cap consistent with PEPRA.

Progress: In March 2016, the UC Board of Regents approved the action item to implement the President's proposed changes to retirement benefits, including the introduction of the PEPRA-level cap to pensionable income. The implementation process for the cap was completed and all eligible new employees were subject to the cap as of July 1, 2016.

Next steps: With Regents approval and the implementation of the cap, this element of the Budget Framework Agreement has been completed.

Transfer Function

Systemwide Major Preparation Transfer Pathways (Had been completed at time of 2016 Update Report)

Goal: Complete systemwide major preparation transfer pathways for twenty top majors over two academic years, 2015-16 and 2016-17.

Progress: Major preparation pathways have been established and announced for the twenty top majors plus one additional major.

Next steps: With the completion of the systemwide major preparation transfer pathways, this element of the Budget Framework Agreement has been completed.

Transfer Ratio

(Implementation continued in 2017)

Goal: Increase the proportion of students entering as community college transfers, so that by the 2017-18 academic year, assuming the presence of a sufficiently qualified transfer applicant pool, one-third of all incoming California resident undergraduate students will enter as transfers, systemwide and at every campus except Merced and San Francisco.

Progress: Originating with the work of the President's Transfer Action Team and as part of UC's commitment to increase Californian undergraduate enrollment, campuses have been seeking to increase the numbers and particularly the proportion of transfer students among all new California resident undergraduates enrolled, to the extent the quality of the applicant pool and their interest in attending UC permit. Among the actions taken to increase transfer enrollment are the following: setting aggressive transfer enrollment targets for 2016-17 and 2017-18, in conjunction with fulfilling UC's commitment to increase California resident undergraduate enrollment by 10,000 over 2014-15 enrollment and extending the Universitywide transfer application deadlines for 2016-17 and 2017-18. Additionally, UC, in partnership with the California Community College (CCC) Chancellor's Office, entered into an 18-month agreement with 39 CCCs across the state that have traditionally prepared low numbers of UC-eligible applicants and/or enrolled students from low-income, first-generation, and diverse ethnic/racial backgrounds. Under this partnership agreement, UC admissions outreach staff and campus recruiters have not only conducted presentations and advised students individually, but also provided in-service training for community college advisers working with transfer-bound students. The partnership was enacted in October 2016, so the impact on applications for Fall 2017 enrollment was negligible. However, campuses engaged in significantly more CCC transfer student yield activities in the spring of 2017, and it is believed that these efforts helped boost CCC student enrollment, setting a record for transfer enrollment at UC.

In 2016-17, UC enrolled the largest transfer class in its history. Most of this growth was centered at campuses that have the greatest demand. It is anticipated that the 2017-18 transfer class will be larger than the 2016-17. Early campus reports from the third week census indicate that UC has achieved for the 2017-18 academic year a 2:1 ratio of new California resident freshmen to new California resident transfers for eight undergraduate campuses combined (Merced excluded). The remaining part of this goal – that each undergraduate campus except Merced achieve the 2:1 ratio, assuming the presence of a sufficiently qualified transfer applicant pool – has been achieved as of the third week Fall Term 2017 census by Davis, UCLA, San Diego, and Santa Barbara. Irvine has experienced enrollment much greater than its target for California freshmen (+824) and transfers (+329) and yet came close to achieving the 2:1 ratio (2.07 actual) it was targeted to achieve. Similarly, Berkeley is expected to fall 9 students short of achieving a 2:1

ratio (2.01 actual) due to a larger-than-expected freshman class. Both Berkeley and Irvine may achieve the 2:1 ratio at a later point in the 2017-18 academic year. Riverside and Santa Cruz, at 3.2 and 2.1 respectively as of the Fall Term 2017 census, are using multiple strategies to make progress toward the 2:1 ratio.

UC has always honored the transfer function; in the past, focusing more on the systemwide ratio than on the ratio for each undergraduate campus. Moreover, the President and UC senior staff chose to focus an initiative on the transfer function well before it was included in the Budget Framework Agreement. UC leaders and senior staff are now even more vigorous and more closely involved with their counterparts at the CCCs and the State, given that a good faith effort on the part of Riverside and Santa Cruz is necessary (but not sufficient) for the State to release the final \$50M of UC's 2017-18 state funding.

Next steps: Riverside and Santa Cruz are continuing to pursue a combination of new, enhanced, and demonstrably effective existing measures to increase applications, admissions, and enrollment of California resident transfers at their campuses. The Office of the President continues to endorse and, as possible, support the Riverside and Santa Cruz efforts and to support systemwide planning that effectively addresses the 2:1 goal. Throughout the 2017-18 academic year and summer 2018 and thereafter there will be continued supports for achieving the 2:1 ratio for all UC undergraduate campuses (except Merced).

Course ID

(Had been completed at time of 2016 Update Report)

Goal: Request that the Academic Senate examine the State's Common Identification Numbering (C-ID) system.

Progress: President Napolitano sent a letter to Academic Senate Chair Hare (September 1, 2015) strongly encouraging the Senate to "examine adoption of the C-ID system to further simplify identification of similar courses across the University's undergraduate campuses and transferable courses at California Community Colleges." Chair Hare forwarded the letter to the appropriate Senate committees. This topic was addressed by the Academic Senate at various leadership meetings in September and October, 2015, and thereafter.

Next steps: With the sending of the President's letter, this element of the Budget Framework Agreement has been completed. The faculty Academic Senate has continued its work on C-ID.

Student Progress and Time-to-Degree

Major Requirements

(Implementation continued in 2017)

Goal: Review major upper-division requirements for attaining undergraduate degrees for the top 75 percent of undergraduate majors, with the goal of reducing units to the equivalent of a full year of academic work where possible by July 1, 2017.

Progress: All undergraduate campuses have completed the faculty review of upper-division major requirements for the top 75% of majors on campus. Faculty were asked to review the upper division major requirements to ensure they represented an outstanding, up-to-date education in the field and could be completed as efficiently as possible. A general guideline for “efficient” was the equivalent of one academic year or less of required upper division coursework in the major.

As of November 7, 2016, all 648 majors had been reviewed by departmental faculty. At the end of the departmental faculty deliberations, 67 percent of the majors under review met the general guideline, requiring no more than the equivalent of one academic year of full-time upper division coursework to satisfy major requirements. Over one-third of all reviewed majors had requirements changed during departmental faculty deliberations. As of Fall Quarter 2017, the responsible Academic Senate committee on each campus had completed review and approval of 210 of the 211 majors for which faculty proposed changes to the major requirements. Campuses have been active in publishing changes in the Fall 2017 campus catalogues and major requirements listings. The effective date for the new major requirements varies by major and campus so that all students can become aware of changes with sufficient lead time to adapt to them.

Next steps: Approval of the changes proposed for one remaining major, completion of a draft report endorsed by the campuses, a conversation with the Budget Framework Agreement Team from the Governor’s Office and Department of Finance, completion of the final report, and distribution and posting of the report will together constitute completion of this initiative, which can be expected early in 2018.

Three-year Degrees *(Completed in 2017)*

Goal: Identify three-year degree pathways for at least ten of the top fifteen majors across the system by March 1, 2016. Incentivize three-year degree paths and bring the number of students who are on a three-year degree track to five percent of students by Summer 2017.

Progress: All nine undergraduate campuses completed the three-year pathway for at least the number of majors required by the agreement; specifically, the requirement was three majors for Merced and ten majors for the other eight undergraduate campuses. Seven of the nine campuses completed more majors than the number required. All nine undergraduate campuses developed communications plans and implemented them in order to make students aware of the three-year degree pathways and to provide advisors with the pathways to use as degree planning tools for students as appropriate. These campus communication efforts already implemental and currently underway include websites, orientation sessions, advising workshops, and/or other activities and publications.

Campuses implemented a process to assess the percent of UC freshmen who accessed the accelerated tracks to graduation by the Summer of 2017. Results from the campuses

demonstrated that more than 5 percent of students in the Fall 2016 freshman cohort, the first cohort of students to have access to the three-year degree pathways at the point of UC entry, had accessed a three-year degree pathway. A report on the three-year degree pathways has been completed, shared with the campuses, and posted to a UCOP website.

Next steps: With the completion and transmission of this report, this element of the Budget Framework Agreement is now complete.

Summer Session
(Completed in 2017)

Goal: Pilot alternative pricing models in Summer sessions at three campuses by Summer 2016 to determine effective strategies for increasing Summer enrollment.

Progress: Three Summer session pilots conducted by UC Berkeley, UC Irvine, and UC San Diego concluded at the end of Summer 2016. Each pilot offered a financial incentive to encourage both greater numbers of students to be enrolled and/or also enrolled students to take more units during the Summer session. Each pilot campus actively advertised the financial incentives to students. Enrollment figures show that the three campuses that participated in the pilots increased their Summer FTE by 638 over 2015 compared to a collective increase of 106 for the six campuses that did not participate in the pilots.

The outcomes and likely causes for the outcomes varied among the three pilots. UC Irvine's pilot, which reinstated a fee cap ("Pay for Only 8"), generated the largest FTE increase (517), and it was also the most expensive (over \$7 million in Summer fees was waived). UC San Diego generated an increase of 127 FTE, and the campus believed that much of the increase was due both to the marketing of the pilot program and also to the integration of Summer recruitment with other student services. The direct housing incentive itself generated a modest increase of about 20 FTE. UC Berkeley's pilot program resulted in a large number of students (146) taking the tuition-free 2-unit course. Because the course was for a small number of units, it generated a small number of FTE (about 10). The middle class loan expansion was offered to 132 more students than in 2015 and could have produced a significant increase in FTE, but in the end only 16 more students took out loans compared to Summer 2015.

These results were discussed with all Summer session leaders early in 2017 so that they could be used in deciding on Summer 2017 offerings. Although Summer 2017 was not part of the Budget Framework Agreement, the Summer 2016 pilot programs continued in Summer 2017 and Summer 2017 undergraduate enrollment increased by another 527 FTE overall, with just less than half the increase at the three pilot campuses (+252 FTE) and just more than half at the six non-pilot campuses (+275 FTE). In July 2017, a written report on the Summer 2016 pilot studies was disseminated to all nine UC undergraduate campuses for their consideration and posted to a UCOP website.

Next steps: With the completion and transmission of the report on the Summer 2016 pilot studies, this element of the Budget Framework Agreement is now complete.

Online Courses for Undergraduates

(Had been completed at time of 2016 Update Report)

Goal: Provide information on how the University has prioritized funding for bottleneck courses.

Progress: Led by the Innovative Learning Technology Initiative (ILTI) and in coordination with UC campuses, UCOP representatives developed a report that demonstrated the prioritized funding for bottleneck courses.

Next steps: With the completion and transmission of the report, this element of the Budget Framework Agreement has been completed.

Alternative Credits

(Had been completed at time of 2016 Update Report)

Goal: Consult with the Academic Senate and request that it reexamine credit provided for Advanced Placement and College-Level Examination Program tests.

Progress: President Napolitano sent a letter to Academic Senate Chair Hare (September 1, 2015) strongly encouraging the Senate to “reexamine current policies regarding Advanced Placement and the College Board’s College-Level Examination Program tests.” Chair Hare forwarded the letter to the appropriate Senate committees. This topic was addressed by the Academic Senate at various leadership meetings in September and October, 2015 and thereafter.

Next steps: With the sending of the President’s letter, this element of the Budget Framework Agreement has been completed. The faculty Academic Senate has continued its work on alternative credits.

Time-to-Degree Advising

(Had been completed at time of 2016 Update Report)

Goal: Provide guidance to campuses on advising practices that support timely graduation of students and help reduce the achievement gap among different socioeconomic cohorts of UC students.

Progress: President Napolitano transmitted a report on time-to-degree advising to the nine undergraduate campuses’ leadership and staff, who shared it with those responsible for student advising on each of these campuses.

Next Steps: With the completion of the report, this element of the Budget Framework Agreement has been completed.

Instructional Costs and Improved Student Outcomes

Data to Identify At-risk Students

(Had been completed at time of 2016 Update Report)

Goal: Expand use of data systems (e.g., predictive analytics) to identify undergraduate students at risk of academic difficulty.

Progress: A summary report, “Data to Identify At-Risk Undergraduate Students: UC Campus Efforts,” was shared with UC campus Undergraduate Education Deans and Institutional Research Directors in 2016.

Next steps: With the completion of the report, this element of the Budget Framework Agreement has been completed.

Activity-based Costing

(Implementation continued in 2017)

Goal: Pilot “activity-based costing” at UC Riverside and engage two other campuses in a scoping study to potentially expand the piloting of activity-based costing to either or both of these two other campuses.

Progress: UC Riverside piloted activity-based costing; UC Davis and UC Merced completed scoping studies that demonstrated the high costs to these campuses of completing a pilot study such as that conducted by UC Riverside. Following discussion with the Governor’s Office and Department of Finance Team, each of the three campuses agreed to prepare a set of cost structure information that was the same as or analogous to that in a true activity-based costing model and, at the same time, made sense from a cost-benefit perspective, and to complete a pilot study of the potential campus users’ perceptions of the utility of that information. All three campuses have submitted final reports of these pilot studies to UCOP. The Governor’s Office and Department of Finance Team, in collaboration with a Regent, reviewed the draft reports and discussed this pilot initiative privately with each campus. The final reports will be sensitive to the interests and tone of those meetings, contain explanations of the methodology used at each campus, and also contain feedback from key stakeholders in the pilot departments. UCOP is consolidating these reports and developing a summary report to share with all campuses and to post on the UCOP website.

Next steps: Completing the final report, distributing it within UC, posting it, and sending it to the Sacramento Team from the Governor’s Office and Department of Finance will together constitute completion of this item, which can be expected early in 2018.

Adaptive Learning

(Had been completed at time of 2016 Update Report)

Goal: Pilot “adaptive learning technology” at UC Davis and two other campuses focused on improving instruction and increasing the number of students who master content in particularly difficult courses and persist to completion.

Progress: Campus pilot studies were carried out Summer 2015, Fall Quarter 2015, and Winter Quarter 2016. Data collection and analysis of those studies have been completed. Results showed that adaptive learning could be an effective means of supporting student success in entry level mathematics and chemistry courses. Factors related to the extent of its utility were identified. The University published its report on these pilot efforts in January 2017.

Next steps: With the completion and transmission of this report, this element of the Budget Framework Agreement has been completed.

Stakeholder Convening for Online Programs

(Had been completed at time of 2016 Update Report)

Goal: Convene industry and academic leaders to further identify online programs that may be developed to enhance delivery of UC’s instructional programs to better meet industry workforce needs.

Progress: The Online Convening was held at the offices of the Bay Area Council on September 25. There were 54 attendees. UC Berkeley’s Haas School of Business dean, Richard Lyons, led the discussion.

The conversation included a discussion of how UC can help businesses meet the educational demands of their workforce and how those outside the UC system can navigate the barriers that may exist between UC departments and schools, working collaboratively to build cross-functional partnerships.

Next steps: Having hosted this convening, UC has completed this element of the Budget Framework Agreement.

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