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December 5, 2018

Director Keely Bosler   The Honorable Holly J. Mitchell
Department of Finance   Chair, Joint Legislative Budget Committee
915 L Street   1020 N Street, Room 553
Sacramento, California 95814   Sacramento, California 95814

Dear Director Bosler 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)
           (Attn: Mrs. Katie Sperla)
       Ms. Jennifer Troia, 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. E. Dotson Wilson, Chief Clerk of the Assembly
Mr. Jeff Bell, Department of Finance
Mr. Chris Ferguson, 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
Senior Vice President Claire Holmes
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
Chief of Staff Governmental Relations Bob Hartnagel
Manager Jennifer Brice

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 PEPRA 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, 2017-18, and 2018-19 in conjunction with surpassing 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. As a result of concerted efforts on the part of UC campuses and the Office of the President, UC transfer applications and admits reached a historic high for the Fall 2018 term. Additionally, UC, in partnership with the California Community College (CCC) Chancellor's Office, entered into a Memorandum of Understanding that guarantees admission to the UC system for all transfer applicants that successfully complete one of the UC Transfer Pathways and achieves the requisite GPA. This new systemwide admissions guarantee for transfer students goes into effect for students starting their community college careers in Fall 2019.

In 2017-18, UC enrolled the largest transfer class in its history, with 17,678 California resident transfers. The UC system (excluding Merced) achieved the systemwide goal of a ratio below 2 frreshmen for every 1 transfer, thus achieving the systemwide goal. Every campus achieved a 2:1 ratio with the exception of Irvine, Merced, Riverside, and Santa Cruz. Irvine enrolled more transfer students than its enrollment target, but had a much greater yield than expected among its freshmen and thus would be up a bit over the 2:1 goal (2.07). It is anticipated that the 2018-19 transfer class will be larger than the historically large 2017-18 class and the 2018-19 ratio (excluding Merced) will be below 2:1 (1.9:1). As agreed to with the State, both Riverside and Santa Cruz made significant progress on the 2:1 ratio at the campus level; indeed, Santa Cruz achieved a ratio of 1.75:1 in 2018-19. Due to unprecedented yield at the freshmen level, San Diego barely missed the 2:1 ratio (2.06:1) by 70 transfer students.

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 continue to work closely with their counterparts at the CCCs and the State, given the UC-CCC MOU and the UC's continued commitment to transfer. In Spring 2018, the State released the final $50M of UC's 2017-18 state funding due to UC's good faith efforts in executing the MOU and UC Riverside's and Santa Cruz's efforts to achieve the 2:1 ratio.

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. As discussed above, Santa Cruz is expected to achieve the 2:1 ratio this year and Riverside is exceeding the plan it presented to the State to achieve the ratio by 2020. The Office of the President continues to endorse and support the Riverside and Santa Cruz efforts and to support systemwide planning that effectively addresses the 2:1 goal.

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: Faculty on each undergraduate campus have completed their review of upper-division major requirements for the top 75% of majors, based on a three-year average of degrees awarded. 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 (and one and one half academic years or less for the 90 engineering and computer science majors included in the Major Requirements Initiative).

As of January 2017, all 623 majors had been reviewed by the responsible departmental faculty, and as of the end of 2017 the responsible campus Academic Senate committee had reviewed and approved all the changes faculty proposed for 196 of the majors. At the end of the Initiative, 68 percent of the 623 majors included in the Major Requirements Initiative were at or below the general guideline (a 24 percent increase) and major requirements had been reduced by at least 2,363 units, the equivalent of nearly 600 4-unit courses. 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. As of Fall 2018, the catalogue of every undergraduate campus includes all changes made as part of the Major Requirements Initiative.

The University notified the Department of Finance that the Major Requirements Initiative is now complete, providing them a copy of the final report which is also available on UCOP's website: https://www.ucop.edu/institutional-research-academic-planning/_files/major-requirements-initiative-final-report.pdf

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

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 reinstituted 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
(Completed in 2018)

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 reports and discussed this pilot initiative privately with each campus. The final reports are 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 has included the campus reports in its final report on the activity-based costing pilots, has shared the final report with all campuses, and has posted the final report on the UCOP website.

Next steps: The final report was completed and sent to the Sacramento Team from the Governor's Office and Department of Finance. With the completion of the report, this element of the Budget Framework Agreement has been completed.

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.