

Date of Hearing: April 2, 2019

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1740 (Medina) – As Amended March 21, 2019

SUBJECT: Public postsecondary education: faculty

SUMMARY: Appropriates the following in 2020-21 from the General Fund for University of California, Riverside (UCR) School of Medicine:

- 1) \$80 million in one-time funds for the construction of a new facility for the medical school.
- 2) \$25 million in ongoing funding for the expansion and operation of the medical school.

EXISTING LAW:

Establishes UC, to be administered by the Board of Regents, with full powers of organization and government, subject only to such legislative control as may be necessary to insure the security of its funds and compliance with the terms of the endowments of the university and such competitive bidding procedures as may be made applicable to the university by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods, and services. (California Constitution Article IX, Section 9)

FISCAL EFFECT: One-time General Fund costs of \$80 million in 2020-21 and ongoing costs of \$25 million starting in 2020-21.

COMMENTS:

Background. The UC Board of Regents approved establishment of the UCR School of Medicine in 2008. UCR received its initial start-up funding in the 2010-11 Budget Act, with a redirection in UC's General Fund resources of \$10 million. The 2013-14 Budget Act included a \$15 million ongoing augmentation for planning, start-up and operational costs of the medical school, which achieved full accreditation in June 2017 and graduated its first class of M.D. recipients at that time.

The mission of the UCR School of Medicine is to expand and diversify the physician workforce in Inland Southern California and to develop research and health care delivery programs that will improve the health of underserved populations living in the region. Inland Southern California – a geographically large, ethnically diverse, and rapidly growing region of 4.4 million people – has barely half of the primary care doctors it needs – a ratio of 35 primary care physicians for every 100,000 people according to the California HealthCare Foundation. The region also performs poorly in relation to most other California regions in many measurable health outcomes.

At the beginning of the 2017-18 academic year, the UCR School of Medicine had enrolled a total of 226 medical students in all four years of medical school and 21 Ph.D. students in biomedical sciences. In the first-year class of 66 students, 45 percent self-identified as being underrepresented in medicine, 53 percent were from socioeconomically and/or educationally disadvantaged backgrounds, 74 percent had ties to Inland Southern California and nearly 38 percent were the first in their family to complete a bachelor's degree.

Purpose. According to UC, the 2013-14 budget augmentation has been crucial for the medical school's start-up, yet the school has reached capacity and requires more funding to sustain its class sizes above 50 students. As mentioned above, the 2017-18 incoming class totaled 66 students, and the fall 2018 starting class was 70 students. UC indicates that this expansion is being done without additional funding, but is nevertheless necessary for the school to fulfill its mission. Without expansion - to 125 students per class over the next five years - the school will fall short in addressing the physician shortage in Inland Southern California.

AB 1740 thus provides an ongoing \$25 million General Fund augmentation to support this expansion. To accommodate such expansion, UC indicates that the School of Medicine will need a dedicated education building for medical and Ph.D. student education, academic office space, student services, and school administration. AB 1740 thus includes a one-time \$80 million appropriation from the General Fund for this purpose. (UC's Capital Financial Plan lists this as a \$100 million project.) Both of these appropriations would be in the 2020-21 fiscal year, beginning July 1, 2020.

UC Facilities Funding. In recent years, the responsibility for capital outlay projects has shifted from the state to UC through the state's annual budget. UC is now able to use its General Fund allocation to support pay-as-you-go capital outlay projects or to fund revenue bond debt service for projects that UC has financed. The expectation is for UC to prioritize capital expenditures within its overall operating budgets.

While indicating that it is fulfilling a portion of its funding needs, even for state supportable projects, with private donations and the implementation of public-private partnerships (P3s), as well as through its support budget, UC maintains that it cannot sustain its capital program solely with this approach. UC notes that, while state support for capital outlay - through specific capital appropriations from general obligation and lease-revenue bonds - averaged almost \$500 million between 1996 and 2012, state support since that time has been only \$190 million annually, all of which is a reallocation of operating funds for debt service.

UC's capital plan estimates capital needs totaling \$36.6 billion through 2023-24. Of this total, UC indicates that \$16.3 billion constitute projects eligible for state funding. (Excluded from this amount are capital outlays for UC's medical centers and for auxiliary enterprises, such as student housing and parking facilities, which are historically funded with revenue bonds repaid through user fees.) UC indicates that it lacks a fund source for \$9.1 billion in state-supportable projects identified in its plan. The medical school project that would be funded through this bill, though included in UC's capital plan, does not have an identified fund source.

Suggested Amendment. As part of the \$15 million provided to the medical school in the 2013-14 Budget Act, UCR is required to annually report on a variety of metrics, including funding, recruitment, hiring, and outcomes, as well as operating and capital budgets detailed by fund source. To ensure consistency, staff recommends that the \$25 million augmentation in AB 1740 include the same reporting language, by reference, as follows:

On or before April 1 of each year, the University of California shall provide progress reports to the relevant policy and fiscal committees of the Legislature pertaining to funding, recruitment, hiring, and outcomes for the School of Medicine at the University of California, Riverside. Specifically, the report shall include, but not be limited to, information consistent

with the published mission and vision for the School of Medicine at the University of California, Riverside, in all of the following areas:

- (1) The number of students who have applied, been admitted, or been enrolled, broken out by race, ethnicity, and gender.*
- (2) The number of full-time faculty, part-time faculty, and administration, broken out by race, ethnicity, and gender.*
- (3) Funding and progress of ongoing medical education pipeline programs, including the UCR/UCLA Thomas Haider Program in Biomedical Sciences.*
- (4) Operating and capital budgets, including detail by funding source. The operating budget shall include a breakdown of research activities, instruction costs, administration, and executive management.*
- (5) Efforts to meet the health care delivery needs of California and the inland empire region of the state, including, but not limited to, the percentage of clinical placements, graduate medical education slots, and medical school graduates in primary care specialties who are providing service within California's medically underserved areas and populations.*
- (6) A description of faculty research activities, including information regarding the diversity of doctoral candidates, and identifying activities that focus on high priority research needs with respect to addressing California's medically underserved areas and populations.*

Related Legislation.

- 1) SB 56 (Roth), an almost identical bill, is pending in Senate Appropriations.
- 2) AB 13 (Eggman), pending in this committee, places a \$7 billion general obligation bond on the November 2020 ballot for the construction, reconstruction, and remodeling of existing or new facilities at the UC, the California State University (CSU), and the Hastings College of the Law, including \$3 billion for construction of new campuses at the CSU.
- 3) SB 14 (Glazer), pending in Senate Governance and Finance, places an \$8 billion general obligation bond on the November 2020 ballot for the construction, reconstruction, and remodeling of existing or new facilities at UC, CSU, and the Hastings.

Prior Legislation.

- 1) AB 2202 (Gray), Chapter 756, Statutes of 2018 established the University of California, San Francisco (UCSF), San Joaquin Valley Regional Campus Medical Education Endowment Fund to support the annual operating costs of a branch campus of UCSF School of Medicine in the San Joaquin Valley. The UC is not required to take any actions towards establishing a medical branch campus until the endowment fund has reached \$500 million.
- 2) AB 94 (Committee on Budget), Chapter 50, statutes of 2013, earmarked \$15 million from the 2013-14 Budget Act for operational support, planning and startup costs associated with academic programs to be offered by the UCR School of Medicine and required annual

reporting of those funds on a variety of metrics, including funding, recruitment, hiring, and outcomes, as well as operating and capital budgets detailed by fund source.

REGISTERED SUPPORT / OPPOSITION:**Support**

Kaiser Permanente

Opposition

None on file.

Analysis Prepared by: Chuck Nicol / HIGHER ED. / (916) 319-3960