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*Chair of the Assembly of the Academic Senate
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University of California
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**JANET NAPOLITANO, PRESIDENT
UNIVERSITY OF CALIFORNIA**

Re: Concerns about the State Assembly Budget Bill

Dear Janet:

The Academic Council wishes to express its grave concerns about the recent Assembly budget bill (AB 97) sent to the Governor by the Joint Legislative Budget Conference Committee. The proposed legislation will do significant harm to the State and to UC's students. The Academic Council asks that you convey our concerns to the Regents in time for the upcoming off-cycle meeting of the Finance and Capital Strategies Committee.

Foremost, the Academic Council opposes the Assembly's attempt to take control of the UCOP budget through the direct allocation of state funds that normally would support the campuses and other state-funded programs. The current funding model, in which UCOP and systemwide programs are supported by all of UC's funding sources, has served the campuses well.

In contrast, the Assembly's bill will harm UC's educational mission by essentially imposing budget cuts on every single state-funded program, *including undergraduate majors on every campus*. Its provisions are such that these programs alone will provide the base for an assessment to support UCOP. This arrangement will be quite burdensome, providing a direct subsidy to non-state-funded activities (medical centers, contracts and grants, and other auxiliaries) that will continue to benefit from UCOP services but will pay nothing for the privilege. In other words, activities that comprise roughly 90 percent of UC funding would make no contribution to support systemwide programs and administration. While the Academic Council supports more transparency and accountability in the current system, surely there are ways to achieve these goals without pitting the core teaching mission against all other activities. A cumbersome set of inter- and intra-campus transfers could theoretically correct the distortions noted above. The price, however, would be a decrease in transparency afforded by the University's rebenching and the assessment funding model, not to mention an unnecessary expenditure of time and resources just to rearrange funding.

The Academic Council also strongly opposes the bill's emphasis on withholding \$50 million in general funds pending UC's implementation of the audit recommendations and in response to a perceived lack of progress meeting two elements of the 2015 Budget Framework Initiative

agreement. Because UC has already indicated it will implement the reforms suggested in the audit report, further penalty seems gratuitous. We also have deep concerns about the merits of the two initiatives in question.

The first of these projects, based on activity-based cost modeling, reduces complex and multifaceted educational decisions to superficial pricing choices. In particular, activity-based costing says nothing about the quality of the educational experience, as noted by even its proponents. It provides no insight, for instance, into the relative educational merits of a lower-division undergraduate course of 500 students, an upper-division undergraduate course with 80 students, or a 20 student graduate course, which obviously carry very different costs. It also ignores the fact that nearly all costs related to delivering an education are fixed, as are the course offerings necessary to provide credible training in all of our academic programs.

To the extent that the studies done on the three pilot campuses caused them to compile useful data, there may have been positive effects from such efforts, but the notion that the cost data produced should guide resource allocation is too simplistic for a complex organization like UC with multiple missions. The Academic Senate did not object to completion of limited studies, to assess benefits, limitations, and implementation costs of such methods, but we see no value in continuing them or linking them to our current budget allocation. More important, we are alarmed at what this link suggests about the future, and we will oppose the generalized introduction of unproven or poorly adapted methods for educational resource allocation, which could potentially deeply harm our students. In addition, our understanding is that two campuses that agreed only to “scoping studies” to estimate what the implementation of a pilot study would cost are now being asked to conduct such pilots, without the necessary resources. The Davis campus, for instance, estimated the cost of a pilot study based on Riverside’s experience to be \$3 million. We see little value in this effort and question the wisdom of redirecting scarce resources in such a manner. Finally, the delivery of the curriculum is an Academic Senate function and the allocation of teaching resources is an academic decision; such decisions are based on academic priorities, and any methods used or choices made to optimize the educational enterprise with available resources must be left to academic departments and schools.

The second initiative in question is the achievement of a 2:1 ratio of freshmen to transfer students on every campus. The Academic Senate very strongly supports the transfer pathway, a key feature of the Master Plan. But this initiative represents an arbitrary target that has no real justification for the system and that is not equally achievable for every campus. As UC has dramatically expanded freshman admits, and is achieving a systemwide 2:1 goal, the Senate sees no reason to think that the State is well served by forcing two individual campuses to make dramatic adjustments in order to meet this targeted ratio. In particular, some of the proposed adjustments would do significant harm to educational quality and the financial stability of the two campuses. Adherence to an arbitrary ratio should not become so important that we tolerate direct harm to students, as would be the case if the campuses must reduce admissions of California-resident freshmen or lower admissions standards to meet the target. Instead, we support all positive efforts at outreach to prepare more UC-qualified transfer applicants and to encourage more community-college students to transfer to the two specific campuses, but there must also be new resources to support these efforts. We appreciate the “good faith efforts” clause in the proposed legislation; however we remain alarmed at the reference to “all possible means.” Unless those means are understood to include only positive measures and not reductions in standards or freshman admits, the Academic Council objects to this budget provision in the strongest possible terms.

In addition, the Academic Council is pleased that the bill recognizes the value of funding graduate student enrollment. However, we are concerned about a provision that calls on UC to prioritize the enrollment of resident graduate students. UC's graduate programs seek to enroll the most qualified, promising students in the world, regardless of residency. There are not many measures that would harm UC's excellence more dramatically and more immediately than to abandon our goal of attracting the best minds worldwide to our graduate schools. These applicants not only enhance UC's excellence; many will remain in California as key contributors to our changing, knowledge-based economy. Before adopting a policy of supporting graduate training only for current California residents, the state should consider

- the vast majority of domestic resident graduate students who establish California residency;
- California residents who attend college out of state, and perhaps work and establish residency outside the state, but wish to return for graduate training and often permanently;
- international nonresident students who will remain in California after graduate school.

Considering these groups' contributions to the state highlights a broader conception of whose training merits state support.

To conclude, the Academic Council strongly supports more transparency for the effectiveness of our own operation, for better accountability to our stakeholders, and for restoration of mutual trust between the University and Sacramento. Nonetheless, and no matter how constructively conceived to advance those same ends, we are quite alarmed by the damage from the unintended consequences of several provisions in AB 97. We urge you and The Regents to communicate these concerns at every opportunity and we are eager to help.

Sincerely,



Jim Chalfant, Chair
Academic Council

Cc: Provost Dorr
Chief Financial Officer Brostrom
Academic Council
Senate Director Baxter
Senate Executive Directors