

UNIVERSITY OF CALIFORNIA, ACADEMIC SENATE

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*Chair of the Assembly and the Academic Council
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University of California
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July 6, 2011

Mark Yudof, President
University of California

RE: Academic Council Special Committee on a Plan for the University of California

Dear Mark:

With approval of the Academic Council at its meeting on June 22, 2011 (by a vote of 15-3), I am pleased to forward to you a copy of the report of the Academic Council Special Committee on a Plan for the University of California (the "Powell Committee" named after its chair, Harry Powell). The Council also specifically endorsed several of the recommendations of the report and rejected others, as I shall detail below.

The committee membership consisted of Senate faculty who were members of the workgroups of the UC Commission on the Future. Following the dissolution of the workgroups upon completion of their work for the Commission, the Council created the special committee by a resolution adopted in July 2010 to advise the Council on a comprehensive plan for the University of California that would address on-going revenue shortfalls due to reductions in state funding. All of the faculty who participated on the Commission on the Future Workgroups, plus the two faculty who served as members of the Commission, were invited to participate in the work of the Powell Committee. Overall, 24 of the invited faculty joined in the effort; their names are listed at the end of the report. I am grateful for their hard work and contributions. Unfortunately, none of the five members from UCLA who were invited to join in the work of the Powell Committee were able to participate. All other campuses were represented by at least one faculty member. Although the work of the committee and its recommendations are focused on the University system rather than on the interests of any one campus, I regret the absence of representatives from UCLA. I confess that while I was engaged in the substance of the committee's work, I failed to pay attention to proportional campus representation. The UCLA Division first raised the issue when they were sent the final report in late May, 2011. The Executive Board of the UCLA Senate protested their perceived disenfranchisement and disagreed with a number of the recommendations that were endorsed by the Council.

Upon receiving the Powell Committee report in January, Council chose to defer formal review of the report until it received the recommendations of the Implementation Task Force, formed by the Council in January 2011, to provide advice on how to implement the Powell report recommendations. The Council has received the latter report in draft and endorsed its recommendations. It will be forwarded

to you at a later date after full consideration of the final report. We are prepared, nonetheless, to forward to you the Powell Committee report.

The Council endorses the following principles and recommendations from the text of the Powell Committee report (by a vote of 15 to 3 with 1 abstention):

Principles

1. The maintenance of quality should be the primary measure for evaluating all University policies.
2. UC's power and excellence derive from its unique structure as a coherent collection of ten campuses, each with its own vision and character, united through common structures. Each campus is encouraged to aspire to world-class excellence in the disciplines it chooses. In effect, we are ten individual experiments in building a single great university. At the same time, coordination and collaboration among campuses, fostered by the systemwide organization, generate synergies and efficiencies that make the whole greater than the sum of the parts. In assessing any new initiative, we must pay close attention to ensuring that the unique strengths of each campus are encouraged, while inequities between campuses are decreased.
3. Any plan for the future success of UC must aim not just to maintain, but rather to enlarge, our programs for graduate education, especially academic doctoral programs.
4. UC has traditionally served as an engine of social mobility; in this era of significantly changing state demographics, this role must be strengthened, not weakened. UC has a responsibility to offer the best possible educational experience and to make this opportunity available to all qualified citizens who can benefit from it. As such, talent and academic merit, not socio-economic status, determine students' eligibility to attend UC. Access to a quality education at a world-class research university with the best faculty should continue to be guaranteed to the best students from all communities in the state.
5. It is vitally important that the principle of shared governance, derived through the Organic Act of 1868 and Regental delegations of authority articulated in the Standing Orders of the Regents, be fully protected and even strengthened for the greater good of the institution.

Recommendations

6. The size of the University should be determined by its ability to maintain high-quality instructional and academic research programs. To achieve this under the current budgetary conditions, it may be necessary to adjust the number of faculty to match available resources.
7. We recommend that the Academic Senate not approve the establishment of any new programs without documentation on the availability of adequate resources. The health of the University requires maintenance of a broad range of programs on each campus. In difficult fiscal circumstances, existing quality programs must be kept healthy. Even though the health of the University also requires the ability to undertake new endeavors, constrained by budgetary shortfalls, maintaining all existing programs and expanding into new areas is not

possible. The establishment of new programs should be carefully evaluated in order to ensure that funds are available to both maintain existing quality programs and provide resources for new initiatives.

8. Faculty are alarmed by campus building programs that do not seem connected to the ability of their home institutions to pay for and maintain such capital initiatives. Any capital project must identify adequate and sustainable resource streams for its long-term maintenance and support.
9. Senate participation in fiscal decisions that affect programs should be increased. The Special Committee recommends that UCPB develop a template for divisional budget committees to use to request access to campus budgetary information.
10. No policies or programs should be enacted without documenting the availability of adequate resources. The Special Committee recommends that the Senate reject any unfunded or underfunded programmatic mandates.
11. The Special Committee recommends that UCOP provide leadership in developing faculty advocacy efforts and initiatives on the campuses. In addition, the University should make the cost of educating students transparent to the students and their parents by separating tuition from the state subsidy.
12. The peer-reviewed merit system and common salary scale has enabled the University to build a world-class system, including six campuses designated as AAU institutions, unlike most state universities, which have a single excellent flagship campus and many lower-tier satellites. The common salary scale serves as a unifying force throughout the University that preserves and enhances excellence on all campuses. The Special Committee strongly believes that the salary scales must be adjusted to reflect market level compensation in order to reduce the prevalence of off-scale salaries, which erode the common salary scale system.
13. Graduate students are the foundation of the research enterprise and are critical to the University's teaching mission. In order to maintain its eminence, UC must reverse the trend of decreasing graduate student enrollment and provide incentives to recruit top graduate students and post-doctoral fellows. As graduate non-resident tuition (NRT) is an artificial penalty for departments that enroll international graduate students in academic programs, the mitigation of NRT may be a relatively inexpensive way to improve the pool of viable applicants.
14. The Special Committee recommends that UCPB and other agencies of the Academic Senate assess the amount of state support necessary to meet the goals of the California Master Plan with a ten year horizon. This analysis should explore all options assuming a continued decline in state funding, including the option of a reduction in state-supported enrollment and its replacement with non-resident students who pay non-resident tuition. It should determine the amount of tuition increase necessary to offset reductions in state funding in order to maintain the University at its current level. The Commission on the Future [recommended](#) increasing the number of non-residents and the Academic Council [concurred](#), provided that state funded residents are not displaced (see Size and Shape 1 and Funding Strategies 6 in the [first round of recommendations](#) to the Commission). The Special Committee believes that Master Plan commitments should be honored by both the state and the University and that if

the state does not do so, the relative proportion of residents and non-residents should be considered.

15. Shield UC Merced from the effects of the budget crisis. As the University takes action to address the budget crisis, the Special Committee emphasizes that the UC Merced campus should be shielded from the effects of downsizing.
16. Explore the benefits of developing a process—possibly facilitated by an office or center—that would respond to entrepreneurial ideas by collecting and rigorously evaluating ideas for generating extra revenue that could be used to improve our core functions.
17. Auxiliary operations must be evaluated rigorously to ensure that they support the University's mission and do not undermine its reputation. The Special Committee recommends the establishment of a permanent joint Senate-administrative committee on each campus to facilitate and provide oversight for entrepreneurial ventures.
18. UC also should consider developing a merit-based compensation system that rewards staff for a job well done to avoid needing to reclassify them for higher level positions in order to provide appropriate compensation.
19. The Special Committee recommends caution in the pursuit of production-based efficiencies that may diminish educational quality in an effort to address budgetary shortfalls.
20. Keeping the above concerns in mind, the Special Committee endorses the Academic [Council's approval](#) of the continued exploration and evaluation of online instruction as a supplement to classroom teaching. We do not endorse wholly online undergraduate degrees.

The Council rejected the following two recommendations of the report:

1. Consider sharing revenues derived from non-resident tuition. The Commission's recommendation of a systemwide cap on non-resident tuition provides a rationale for revenue sharing. The Special Committee urges consideration and study of revenue sharing arrangements among the ten campuses with the income derived from non-resident tuition. Campuses should be allowed to keep a sufficient percentage of the revenues to ensure that they have an incentive to recruit non-residents. However, campuses that do not attract significant non-resident enrollment should be compensated for shouldering the systemwide responsibility of complying with the Master Plan requirements for educating residents. (15 in favor of rejecting this recommendation, 3 opposed, 1 abstention).

[I note here that Council approved the general principles of the Funding Streams Proposal that allocates all fees raised on a campus to their source but with serious reservations about the absence of meaningful enrollment planning.]
2. UC should expand and market self-supporting instructional courses and programs to subsidize its core functions—undergraduate education of Californians, academic graduate education for students from around the world, and research. (16 in favor of rejecting this recommendation, 3 abstentions)

As noted in Council's response to Self Supporting Program Policies, Council remains concerned that expansion of self-supporting programs will detract from the effort required to maintain the University's core programs.

The Council declined to endorse the following recommendations, in part due to the on-going policy deliberations within the administration and with the Academic Senate on these revenue-related and administrative issues (15 in favor of not endorsing, 3 opposed, 1 abstention):

1. Raise tuition only as a last resort. Increasing tuition potentially is a means to cover the costs of educating California residents in the absence of adequate state support, but it has implications for access and affordability that must not be ignored. The combination of state funding, tuition and other sources of revenue must be sufficient to maintain UC as a quality institution. If state funding remains lower than needed, either student fees have to rise, risking a more privatized public university or student enrollment must decline to a level consistent with revenues.
2. Assess the impact on student fees of revising or reducing return-to-aid. The University has embarked on a pathway toward a high-fee high-aid financial model. Current fee increases include a 33 percent return-to-aid component, which essentially shifts the cost of instruction from students under the Blue and Gold plan with family income under \$80,000 (as proposed for 2011-2012) to families with income above that level and to students not otherwise eligible for financial aid.
3. We further recommend examining the growth of administrative FTE vis-à-vis faculty FTE and student enrollment, as well as conducting an administrative audit.¹

In conclusion, I hope you will agree with my assessment that the Powell report, especially principles numbers 1-5 above, provides robust guidance for the strategic decisions necessary to guide the long-term future of the University of California and for the tactical choices required to address the current budgetary exigencies facing the University. I hope you will circulate the report widely within the University community.

Sincerely,



Daniel L. Simmons

Copy: Provost Pitts
Henry Powell
Academic Council
Members of the Special Committee

Encl.

¹ Comments from UCSB suggest that this recommendation should focus on examining the growth and value of administrative FTE.

Academic Council Special Committee on a Plan for the University of California Final Report and Recommendations

January 2011

This document grows out of ongoing discussions by a Senate special committee of faculty who participated in the working groups of the UC Commission on the Future. We intend it for discussion by the Senate's Academic Council in its effort to help shape the future of UC in the face of continuing state disinvestment. The Academic Council has established a task force for implementing our recommendations, charging it with assessing their fiscal impact and developing specific, detailed plans for coping with the current budget crisis.

Able students and exceptional faculty are at the heart of the University of California's mission. By educating talented students from all regions of the state, the University's ten campuses benefit California citizens from all walks of life and provide one of the most important economic drivers of our state's economy. Every student who is willing to work hard to meet UC's demanding entrance standards should have access to this exceptional educational opportunity, regardless of his or her ability to pay. UC fulfills its commitment to the California Master Plan of 1960 when it offers an affordable and high-quality education. The University's quality is evident in its faculty, who are internationally distinguished for their research; in its graduate and professional training programs, which educate students from around the world, and in the contributions its graduates make to California, the nation and the world; improving their own lives and the lives of others. Many of these students remain in California and contribute to its intellectual and economic riches. UC's tripartite mission of research, teaching and service intertwine to provide significant benefits to the state in a myriad of ways.

California's commitment to funding the University has been on a steady downward trajectory since the mid-1980s, with precipitous dips in funding at times of economic crisis. At the same time, demographic demand for a high-quality public university education has grown. Faculty have watched rising enrollments without a concomitant increase in our numbers or in the resources to support teaching. UC's ability to attract and retain the best faculty to carry out its public mission is at risk. A recent UCOP [report](#) shows that between 2007 and 2010 UC's offers of financial support to academic graduate students deteriorated substantially compared to offers by its competitors. For students and their families, the current budget crisis, which UC has attempted to mitigate by raising student fees, has led to widespread popular dissatisfaction. The rise in fees is especially difficult for middle-class students and their families. Although the impact of ever-increasing fees on students from the lowest economic strata has been alleviated by financial aid, the viability of this model is in serious jeopardy. At a time when parents' capacity to help students is diminished by the economic crisis, higher fees are driving some students to finance their UC educations through debt and/or working at outside jobs so many hours a week that the work impairs their ability to study. At the same time, the size, rate of growth, and compensation of the administration at both the campus and systemwide levels must be thoroughly examined and addressed.

Historical Perspectives

The University has been an integral part of California since the late 1840s when the founders of the future state of California identified affordable, accessible education as one of the principal goals and aspirations of the nascent state. They recognized that the quality of a future University of California could be second to none since California's best chance to keep its talented youth from moving elsewhere lay in providing higher education. The establishment of UC in 1868 under the terms of the Organic Act envisaged an institution accessible to residents of every geographic region or political/religious persuasion, an early recognition of our commitment to diversity. From its earliest days, UC has been subject to the stress of contending political forces. But the 1879 state Constitution placed the University beyond the reach of legislative interference, gave it a strong Board of Regents empowered to protect the public interest, and committed it to providing academic leadership that would ensure national eminence. Despite this, the University was subjected to a fiscal "near death" experience in the early twentieth century when property tax-derived revenue was returned to localities by voter initiative. The intervention of Progressive political forces at the state and national levels helped implement a new enrollment-based system of funding that allowed the University to grow in response to the increase in students qualified to attend California's premier public university system. The University found itself in difficult financial straits again in the early 1930s, when the University faced budget cuts exceeding 25% over a three year period. Then-President Sproul urged the Senate to create an *ad hoc* committee on educational policy to advise him on budget matters, which was the precursor to the Senate standing committee on Planning and Budget (UCPB). The 1960 Master Plan for Higher Education created a coordinated system of education that combined exceptional quality with access for a broad cross-section of the state's citizens. Through the Master Plan, the state committed to funding universal access to higher education and accommodated a surge in enrollment and the growth of all three university systems. The funding crises of the early 1990s posed a challenge that the University community assumed would be temporary, but in reality was the beginning of a long-term trend in state disinvestment in public higher education. Today the UC system is again subject to severe budgetary cutbacks, threatening the preeminence and very character of the University and the viability of public higher education in California. This comes at a time when the proportion of California high school graduates enrolling in four year colleges has been falling and is among the lowest in the nation.

The Senate has issued an important series of reports in recent years responding to the economic crisis that confronts the University in part as a result of the national recession and in part as a result of the long-term effects of Proposition 13 (passed in 1978) on funding for all levels of California's public educational system. The most relevant reports are a series from UCPB: [*The "Choices" Report*](#) (3/10); [*Principles to Guide Fiscal Decision-Making in the Current Budget Environment*](#) (6/09); [*The "Cuts Report"*](#) (Report on the Cuts Proposed by California Governor Arnold Schwarzenegger), (4/08); and [*The "Futures Report"*](#) (Report on Current Budget Trends and The Future of the University of

California, University Committee on Planning and Budget), (5/06). These reports provide important context for the current document.

As concerned as we are about the severity of the current fiscal crisis in California and the terrible constraints it imposes on UC, we must not respond by putting into effect measures that will undermine and degrade the qualities and values that make UC the envy of the world. Even short-term, emergency actions have a surprising power to effect permanent change. It would be a Pyrrhic victory, indeed, if we “rescued” UC, only to find that we had effectively destroyed this unique institution in the process. We offer this document as a call to the university community to devise a strategic plan. Where such a plan requires stark choices, we think that the broader community of UC stakeholders, including prospective students and their families, as well as our state government, needs to be made aware of the choices we face and be encouraged to take action in support of a university that benefits all Californians. We reiterate that the needs of students and the crucial role of the faculty must be primary in any plan that emerges.

Principles

It is essential that we recognize and affirm the special character and philosophy of our University, and then embody those values clearly in all of our decisions concerning the future structure and operation of the institution. In particular, seven elements demand our vigilance and protection:

(1) Our commitment to quality in teaching and research. The maintenance of quality should be the primary measure for evaluating all University policies. The University’s excellence is directly attributable to the academic quality and breadth of the faculty and the programs they create and shepherd at both the undergraduate and graduate levels. The elements listed below have contributed to this excellence and have established UC as the top public research university in the world.

(2) Our status as a research university. Universities serve society by educating the citizenry, fostering creativity, encouraging cultural discovery and social development, and driving economic growth. The UC system is founded on the conviction that these goals are best accomplished in an environment rich in research, experimentation, and innovation. The human mind most fully realizes its potential when it reinterprets and builds on what is known in order to create new knowledge. Accordingly, undergraduate and graduate students are taught by researchers, scholars and artists at the leading edge of their disciplines, and then are invited to join these leaders on the path to discovery. UC’s research mission informs and is central to its instructional mission. The wisdom of this approach is evident in the astonishing impact of our comparatively young University, locally, nationally, and globally.

(3) Our contribution to the public good. UC benefits not just its students but the wider community as well. In addition to being a driving force of California’s economy, UC significantly contributes to the public good, consistent with the University’s mission as a land grant institution. UC’s campuses provide leadership in environmental, energy, public health and social issues. UC also plays a key role in shoring up the state’s public

high schools through the maintenance of the A-G courses and through its various outreach programs. The benefit of UC research, scholarly and creative activity to the economic, cultural, and civic vitality of the state of California can not be overemphasized.

(4) Our structure as a multi-campus system. UC's power and excellence derive from its unique structure as a coherent collection of ten campuses, each with its own vision and character, united through common structures. Each campus is encouraged to aspire to world-class excellence in the disciplines it chooses. In effect, we are ten individual experiments in building a single great university. At the same time, coordination and collaboration among campuses, fostered by the systemwide organization, generate synergies and efficiencies that make the whole greater than the sum of the parts. In assessing any new initiative, we must pay close attention to ensuring that the unique strengths of each campus are encouraged, while inequities between campuses are decreased.

(5) Our commitment to graduate education. Graduate students and graduate education are integral to both the research and teaching missions of UC. At a critical stage of their intellectual development, graduate students are closely mentored and trained by faculty to prepare them for independence and leadership in their chosen disciplines. It is well known that graduate students, both in partnership with, and independent from, their faculty mentors, are responsible for much of the cutting-edge research and creativity on which UC's reputation and influence are based. Additionally, graduate students often teach, mentor, and inspire undergraduate students, creating a continuous pipeline of knowledge. UC's unique capacity for excellence in graduate education is widely recognized in national rankings, and universities in other countries both send their students to UC and seek to emulate our practices. Any plan for the future success of UC must aim not just to maintain, but rather to enlarge, our programs for graduate education, especially academic doctoral programs.

(6) Our responsibility to offer the best education to a broad and diverse representation of the most academically qualified students. Societies thrive best when human potential is not wasted—when the natural abilities of the broadest range of its citizenry are brought to flower in a nurturing yet disciplined environment. UC has traditionally served as an engine of social mobility; in this era of significantly changing state demographics, this role must be strengthened, not weakened. UC has a responsibility to offer the best possible educational experience and to make this opportunity available to all qualified citizens who can benefit from it. As such, talent and academic merit, not socio-economic status, determine students' eligibility to attend UC. Access to a quality education at a world-class research university with the best faculty should continue to be guaranteed to the best students from all communities in the state.

(7) Our unique system of shared governance. It is vitally important that the principle of shared governance, derived through the Organic Act of 1868 and Regental delegations of authority articulated in the Standing Orders of the Regents, be fully protected and even

strengthened for the greater good of the institution.¹ Shared governance ensures that the academic mission, through the collective voice of the faculty, guides major decisions and shapes the institution.

We believe it is critical to make decisions today in light of a vision of what we want UC to be 50 years from now, not in response to immediate exigencies. Our choices should be informed by the principles and values articulated above, for these are what have brought our University to its present heights of excellence and world renown.

Recommendations for the Future of UC

These recommendations are based on the following guiding principles: eligible undergraduate students in California should have access to the University; a UC education should be affordable; UC programs should continue to attract the best graduate students in the world; and the people and economy of California should continue to benefit from the research and service of the University. We acknowledge the intrinsic complexity of pursuing these recommendations together. Doing so is crucial to the future of the University.

(1) Maintain UC's educational and research stature

In order to maintain UC's educational stature and prevent further erosion of the quality of a UC education, the Special Committee considered a number of suggestions and proposes the following.

(a) The size of the University should be determined by its ability to maintain high-quality instructional and academic research programs. To achieve this under the current budgetary conditions, it may be necessary to adjust the number of faculty to match available resources. However, changes in the size of the University should not occur in a reactive, incremental way, but should be guided by the vision outlined above that protects both the public mission and the quality of the University and should be determined at the campus level in consultation with the divisional Senates. The challenge will be to maintain quality. In order to partially mitigate shortfalls in state provided resources, campuses should consider (i) increasing the number of students paying non-resident tuition within a predetermined cap per campus; (ii) rejecting unfunded growth of in-state students; (iii) better capitalizing on the teaching expertise of other members of the academic community; and (iv) continuing to explore the development and implementation of innovative teaching approaches that make the best use of available resources while maintaining or enhancing quality.

(b) We recommend that the Academic Senate not approve the establishment of any new programs without documentation on the availability of adequate resources. The health of the University requires maintenance of a broad range of programs on each campus. In difficult fiscal circumstances, existing quality programs must be kept healthy. Even though the health of the University also requires the ability to undertake new endeavors, constrained by budgetary shortfalls, maintaining all existing programs and

¹ See "[Shared Governance in the University of California: An Overview](#)," Daniel Simmons, 2009.

expanding into new areas is not possible. The establishment of new programs should be carefully evaluated in order to ensure that funds are available to both maintain existing quality programs and provide resources for new initiatives. Standing Order of the Regents 105(2)(b) explicitly authorizes the Academic Senate to approve all curricula and changes to curricula for degree programs with the exception of those in existing professional schools offering work only at the graduate level (*new* degree M.D., D.D.S., D.V.M., Pharm.D., and J.D programs also are approved by the Senate). The academic impact of individual programs must be assessed and reviewed by Senate standing committees as well as by divisional committees.

The Academic Senate must oversee the on-going review of existing programs, which should be based on careful judgment of programmatic strengths and weaknesses in the context of strained budgets. Program review must include an assessment of the program's position within the overall campus strategic plan in light of specific campus financial priorities. Therefore, program review must include the review of pertinent financial information. It must also ask this question: If the program were being reviewed as a new proposal, would the proposal be approved and funded over other existing programs?

(c) Curtailing capital projects. Faculty are alarmed by campus building programs that do not seem connected to the ability of their home institutions to pay for and maintain such capital initiatives. Any capital project must identify adequate and sustainable resource streams for its long-term maintenance and support. Resource streams focused on protecting and expanding the academic enterprise must be directed only to those purposes.

(d) Senate participation in fiscal decisions that affect programs should be increased. Some Divisional Senates have not been able to conduct fiscally informed reviews of campus projects because they lack access to adequate budgetary information. Annual budget reports should be prepared that are as uniform as possible from year to year and across campuses. While the Senate's role on budgetary decisions is advisory, at a time of severe fiscal constraints and budgetary trade-offs, such decisions will impact the core academic mission, its programs and campus operational budgets. Therefore, the Senate's advice should be sought. The quality of budgetary information provided to Senate committees is a critical element in shared governance. Some campuses have established structures for Senate consultation on budgetary matters. Budget committees with access to all necessary financial information on every campus and at the systemwide level will be necessary to guide the University through the very difficult decision-making process needed to protect the core academic mission from harm. The Special Committee recommends that UCPB develop a template for divisional budget committees to use to request access to campus budgetary information.

(e) Resisting underfunded mandates. Faculty remain deeply concerned about mandates that do not provide adequate resources for implementation or compliance. No policies or programs should be enacted without documenting the availability of adequate resources. The Special Committee recommends that the Senate reject any unfunded or underfunded programmatic mandates.

(f) Effectively advocating for state support of UC. Faculty are concerned that state legislators and the public do not appreciate the unique role played by research universities in a global economy, and that they discount the critical importance of UC's research mission. Advocacy should include outreach to parents of current and future students, alumni, and industry. Competitiveness in a global economy is tied to the production of an educated citizenry capable of contributing to the knowledge-based economy. For this reason, it is imperative that state leaders, business leaders, and the citizenry understand the advantage to undergraduate and graduate students of receiving their education at a research university. Increasing graduate student enrollment is a pre-eminent state need. This argument is best made by faculty. The Special Committee recommends that UCOP provide leadership in developing faculty advocacy efforts and initiatives on the campuses. In addition, the University should make the cost of educating students transparent to the students and their parents by separating tuition from the state subsidy. This could be an extremely effective way to win advocates for greater state support of UC.

(g) Providing total compensation sufficient to recruit and retain the best faculty across the University. The peer-reviewed merit system and common salary scale has enabled the University to build a world-class system, including six campuses designated as AAU institutions, unlike most state universities, which have a single excellent flagship campus and many lower-tier satellites. The common salary scale serves as a unifying force throughout the University that preserves and enhances excellence on all campuses. The Special Committee strongly believes that the salary scales must be adjusted to reflect market level compensation in order to reduce the prevalence of off-scale salaries, which erode the common salary scale system.

We recognize that remuneration is not the only factor attracting faculty to UC. As the UCSB Undergraduate Council commented in response to the Academic Council's proposal to the Commission on the Future on downsizing, "Outstanding faculty are drawn to top academic institutions because they offer the opportunity to teach and interact with excellent graduate and undergraduate students, in strong academic departments where teaching loads and course enrollments are reasonable, and financial support for graduate students is adequate...(F)aculty seek environments with adequate institutional infrastructure to allow them to maximize their creative potential, including a critical mass of interactive and engaged colleagues in their discipline." An environment that supports teaching and research in pursuit of the public good remains an important element in attracting faculty to service at the University of California.

(h) Providing sufficient support for academic graduate students. Graduate students are the foundation of the research enterprise and are critical to the University's teaching mission. In order to maintain its eminence, UC must reverse the trend of decreasing graduate student enrollment and provide incentives to recruit top graduate students and post-doctoral fellows. As graduate non-resident tuition (NRT) is an artificial penalty for departments that enroll international graduate students in academic programs, the mitigation of NRT may be a relatively inexpensive way to improve the pool of viable

applicants. UC's vibrant graduate programs are magnets for students from around the world, many of whom stay and contribute to the state's economy and global competitive advantage. UC is the single most important economic engine in the state of California and graduate students are the linchpin of this success.

(2) Establish a Realistic Funding Model

The University's funding model must be based on a realistic assessment of future revenue sources. In difficult budgetary circumstances faculty want to know that budgets are based on real costs and are more than just spending plans.

(a) Assess state support for Master Plan commitments. The Special Committee recommends that UCPB and other agencies of the Academic Senate assess the amount of state support necessary to meet the goals of the California Master Plan with a ten year horizon. This analysis should explore all options assuming a continued decline in state funding, including the option of a reduction in state-supported enrollment and its replacement with non-resident students who pay non-resident tuition. It should determine the amount of tuition increase necessary to offset reductions in state funding in order to maintain the University at its current level. The Commission on the Future [recommended](#) increasing the number of non-residents and the Academic Council [concurred](#), provided that state funded residents are not displaced (see Size and Shape 1 and Funding Strategies 6 in the [first round of recommendations](#) to the Commission). The Special Committee believes that Master Plan commitments should be honored by both the state and the University and that if the state does not do so, the relative proportion of residents and non-residents should be considered.

(b) Consider sharing revenues derived from non-resident tuition. The Commission's recommendation of a systemwide cap on non-resident tuition provides a rationale for revenue sharing. . The Special Committee urges consideration and study of revenue sharing arrangements among the ten campuses with the income derived from non-resident tuition. Campuses should be allowed to keep a sufficient percentage of the revenues to ensure that they have an incentive to recruit non-residents. However, campuses that do not attract significant non-resident enrollment should be compensated for shouldering the systemwide responsibility of complying with the Master Plan requirements for educating residents. The Special Committee endorses in principle some form of revenue sharing, which should be determined in conjunction with the rebenching process currently underway, which will set a new baseline for the allocation of state funds per student among the campuses. This strategy will also depend on the University's ability to address questions about how to market UC effectively nationally and internationally, and how to price non-resident tuition.

(c) Raise tuition only as a last resort. Increasing tuition potentially is a means to cover the costs of educating California residents in the absence of adequate state support, but it has implications for access and affordability that must not be ignored. The combination of state funding, tuition and other sources of revenue must be sufficient to maintain UC as a quality institution. If state funding remains lower than needed, either student fees

have to rise, risking a more privatized public university or student enrollment must decline to a level consistent with revenues.

(d) Assess the impact on student fees of revising or reducing return-to-aid. The University has embarked on a pathway toward a high-fee high-aid financial model. Current fee increases include a 33 percent return-to-aid component, which essentially shifts the cost of instruction from students under the Blue and Gold plan with family income under \$80,000 (as proposed for 2011-2012) to families with income above that level and to students not otherwise eligible for financial aid. This model is intended to preserve access for low-income students in the face of declining state support. However, there are limits to this strategy, and there is increasing evidence of significant financial strain on middle-income students and their families. The tuition assistance that the University offers may need to be done on a more graduated scale. At a minimum, there should be a review process of economic hardship so that lower middle-income families have access to waivers for a portion of tuition. The University must press for greater state support, but as declines continue, the University's funding mechanisms and budgets must adapt. New mechanisms, including increased non-resident tuition and changes to financial aid structures, will be necessary and will require careful advance planning to reduce their adverse effects on students and on the University. Ongoing planning efforts should be established to prepare for these possibilities. The Special Committee recommends that UCPB and other Senate agencies assess the impact on student fees of revising or reducing the return-to-aid component.

(e) Shield UC Merced from the effects of the budget crisis. As the University takes action to address the budget crisis, the Special Committee emphasizes that the UC Merced campus should be shielded from the effects of downsizing. Merced must grow to survive as a viable UC campus, and its growth already has been curtailed due to the budget challenges of the past few years. A memorandum of understanding between UC Merced and UCOP was recently signed that promises to fund a minimal level of growth in faculty, staff, and space to handle a large, expected increase in undergraduate enrollment over the next three years. Cuts that compromise this memorandum may cripple the campus' ability to reach financial sustainability and its goal of becoming a fully developed UC campus. The current budget of UC Merced is less than ten per cent of the proposed 2011-12 budget cut to UC and the present value of the Merced campus is several hundred million dollars, so proposals to eliminate the campus or to strangle its growth are very short-sighted.

IMPLEMENTATION

The Academic Council has established a Task Force for Implementation of the Special Committee Report to assess the fiscal and logistical implications of its recommendations and to suggest ways to implement them.

(1) Revenue Proposals

It should be noted that, as a share of all sources of funding for the University, the following revenue generating proposals and efficiencies are not substantial and can not replace either state support or tuition. However, the costs and benefits are worth considering.

(a) Explore establishing a process to evaluate ideas for generating revenue. Explore the benefits of developing a process—possibly facilitated by an office or center—that would respond to entrepreneurial ideas by collecting and rigorously evaluating ideas for generating extra revenue that could be used to improve our core functions. This process would be jointly overseen by faculty and administration. It would facilitate entrepreneurship while making it more transparent.

UC should expand and market self-supporting² instructional courses and programs to subsidize its core functions—undergraduate education of Californians, academic graduate education for students from around the world, and research. This is different from marketing and privatizing the core, which the Special Committee opposes. Such auxiliary programs could include self-supporting programs, online education, broadening EAP to non-UC students, and Extension courses in adult education. UC should offer support in developing and advertising them and should encourage entrepreneurship with appropriate oversight. The Senate should set clear guidelines about faculty workload and compensation, the use of UC facilities, and the distribution of revenues from the programs. The administration, in cooperation with the Academic Senate, must maintain close supervision of the expansion of these programs and their use of the UC brand to ensure that they provide support for the core enterprises of the University, rather than drain resources from its primary missions.³

Auxiliary operations must be evaluated rigorously to ensure that they support the University’s mission and do not undermine its reputation. The Special Committee recommends the establishment of a permanent joint Senate-administrative committee on each campus to facilitate and provide oversight for entrepreneurial ventures. This committee should ask: 1) Is the program consonant with the core missions of the University? 2) What kind of oversight is needed to ensure a level of quality appropriate to UC? 3) What expenses (overhead) would be incurred that must be reimbursed? 4) How much net revenue (apart from overhead) will it generate and how and to whom will it be allocated?⁴ Proposals for University auxiliary academic enterprises should provide adequate answers to these questions prior to their establishment. The joint committee also would serve as a mechanism for campuses to share ideas for revenue-generating programs, and the resulting expenses must be compensated as part of the operation’s overhead. The Special Committee further recommends that UCPB develop a template to capture information and reporting on these programs’ budgets.

² We find the term “self-supporting” troublesome because it suggests that certain activities can operate in isolation, without Senate quality control and without an expectation of making positive contributions to the University.

³ These principles also should apply to non-academic auxiliary enterprises.

⁴ We recognize that the net revenue from Extension programs is not great, and that most of its profits have supported less lucrative Extension programs.

(2) Cost Reductions and Efficiencies

(a) Administrative Efficiencies. We endorse the Regents' decision to achieve administrative savings. We further recommend examining the growth of administrative FTE vis-à-vis faculty FTE and student enrollment, as well as conducting an administrative audit. UC also should consider developing a merit-based compensation system that rewards staff for a job well done to avoid needing to reclassify them for higher level positions in order to provide appropriate compensation. While the Special Committee encourages the pursuit of administrative efficiencies, it urges the administration to consult with the Senate on the potential effects of such initiatives on support for the research and teaching mission. It bears emphasizing that excellent staff support provides the essential scaffold for our academic endeavors and that even well-intentioned administrative "solutions" carried out in the name of efficiency can divert faculty time and effort from productive academic activity.

(b) Educational Efficiencies. Some in the University community have advocated the achievement of cost savings through the adoption of educational efficiencies. Recommendations include creating efficient pathways for transfer students through consistent lower division educational requirements for majors, three-year degree programs, greater transfer of advanced placement courses, and online education. This quest for educational efficiency presents a risk by substituting corporate ideas of efficient production for teaching creative and critical thinking. Encouraging students to rush through higher education with a minimum course load in order to reduce the time to degree is inconsistent with our educational goals aimed at producing well-rounded, creative thinkers prepared for productive employment and responsible citizenship. Nor is it clear that reduction in the time to degree will result in significant savings to the University. Thus, the Special Committee recommends caution in the pursuit of production-based efficiencies that may diminish educational quality in an effort to address budgetary shortfalls.

(c) Online instruction. Keeping the above concerns in mind, the Special Committee endorses the Academic [Council's approval](#) of the continued exploration and evaluation of online instruction as a supplement to classroom teaching. We do not endorse wholly online undergraduate degrees. The Academic Senate's position on online education is fully explicated in the [report](#) of the Senate Special Committee on Remote and Online Instruction and Residency. Online instruction offered outside of regular departmental courses should meet the standards described above for auxiliary academic enterprises.

(d) Facilitate cross-registration. The Special Committee suggests that the University explore how cross-campus graduate and undergraduate registration could be improved to ease the transfer of credits in approved cross-campus courses or programs such as the Arabic Without Walls program and Summer Session courses.

CONCLUSION

The University of California system has been lauded as the finest public university system in the world. Its pursuit of excellence has resulted in six campuses being members of the AAU. But our fiscal crisis is without parallel in recent times. The success of the greater university, with its five health science centers and its accumulation of ancillary and auxiliary self-funded entities, has increased the budget to roughly twenty billion dollars and has enriched California in a myriad of ways. But the loss of a billion dollars in state funding for our core educational programs over the last three years threatens the cornerstone of this great “cathedral of learning.” President Yudof spoke at the January Regents’ meeting about needing to re-visit some of the recommendations of the Commission on the Future that faculty found most objectionable. Indeed, the fiscal hemorrhage of \$500M may become bloodier still if the public fails to vote to extend taxes scheduled to sunset this year. Throughout the discussion of UC’s future, the faculty, through the Senate and *ad hoc* faculty groups, have emphasized that quality, access and affordability, the lynch-pins of past and present success, are no less critical for the future. Quality is the value that faculty protect through the operations of shared governance. Access, as defined by the Master Plan and our commitment to diversity, is guaranteed through the collaborative efforts of faculty, administration, the Board of Regents and our elected representatives, including the Governor. Affordability, once guaranteed by the state legislature and the governor, has in recent years become vulnerable to a public debate involving legislative initiatives. This is a very dangerous situation for the University since the public increasingly questions the notion of subsidizing access, is scandalized by compensation decisions and lacks sufficient understanding of the role of research universities as drivers of the state economy and contributors to the public good.

So what are we to do? First, let us thank the hundreds of faculty and administrators who came together to debate the way forward during the efforts of the COTF and its working groups, continuing with the process that produced this report. All of us will be called on during the implementation stage, either to fashion new approaches to our tripartite mission of research, teaching and service, or to convince the public and our legislators that affordable, accessible higher education of world class quality is part of California’s DNA. Is the work of one hundred and fifty years to be undone in one legislative term? Not if we make our case more effectively, and in doing so, engage students, alumni, parents, teachers and business people, all of whom are partners in building a thriving economy. The state needs public higher education now more than ever, as its population continues to grow and becomes more diverse. The University is likely to increase its numbers of non-resident students to benefit from the fiscal lifeline they provide. We will see more mid-career professionals turn to both UC and UC Extension in a quest for life-long learning that will span the years from high school graduation to senior citizens satisfying their need for life-long learning through Extension and the Osher Institutes. Our health sciences institutions will continue to educate students seeking degrees, mid-career professionals, care givers and provide patient care while forming a cornerstone of the state’s economy. But none of these constituencies can prosper without the continuing vitality of the core educational mission that the state’s dollars fund. Can all of us come together to visualize the state’s needs and advocate a common vision rooted in our commitment to the public good? Now is the time when our divisional senates and the leadership on each campus must make common cause out of our need to protect and

improve the University we know and believe in and must struggle to prevent forces from degrading its excellence.

SPECIAL COMMITTEE ON A PLAN FOR THE UNIVERSITY OF CALIFORNIA

Size and Shape Working Group, Commission on the Future

Don Brenneis	Professor of Anthropology, UC Santa Cruz
Margaret Ferguson	Professor of English, UC Davis
Deborah Greenspan	Professor, School of Dentistry, UC San Francisco
James Posakony	Professor of Biology, UC San Diego

Education and Curriculum Working Group, Commission on the Future

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Bruce Schumm	Professor of Physics, UC Santa Cruz
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David Gardner	Professor, Metabolic Research Unit, UC San Francisco

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Stanley Prusiner	Professor of Neurology and Biochemistry, UC San Francisco

Other

Dan Simmons	Academic Senate Chair; Ex-officio member, Commission on the Future
Anil Deolalikar	Professor of Economics, UC Riverside; Member, Commission on the Future
Bob Anderson	Academic Senate Vice Chair
Harry Powell	Former Academic Senate Chair; Ex-officio member, Commission on the Future