

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
October 8, 2012

I. Announcements

- *Jean-Bernard Minster, UCPB chair*

Chair Minster welcomed UCPB members and reviewed the [charge](#) of the committee. UCPB advises the Academic Council, UC president, and other administrative agencies on a broad range of policy issues affecting planning and budget, and may also initiate its own studies and policy reviews.

A variety of UCOP administrators will join UCPB this year to help the committee analyze different budget and finance issues. For the benefit of new and returning UCPB members, the chair has asked the Budget Office to provide a “Budget 101” series of presentations around different topics, starting with an overview of the state and university budget-setting and budget allocation process, as well as what the recent Funding Streams and Budget Rebenching reforms mean for campus and systemwide budgets. There is also a need for faculty and administrators to share a common understanding of different budgetary terminology.

The “Funding Streams” budget model is entering its second year. It allows campuses to retain all revenues they generate from most sources, and funds UCOP and systemwide programs through a flat assessment on all campus expenditures. In August, the UCPB chair, vice chair, and other Senate representatives participated in a preliminary discussion about a UCSF proposal for a modified funding streams model that would address concerns from that campus that it does not receive services from UCOP proportionate to its assessment.

Budget “rebenching” and enrollment management will also be important topics. The rebenching project seeks to re-balance the historical state general fund allocation formulas that determine the proportion of state funds UCOP distributes to each campus, by equalizing the per-student ratio of state funds across campuses. Under the distribution formula [recommended](#) by the rebenching task force, rebenching will be implemented gradually over six years. Campuses will receive per student funding on a weighted basis according to student type: 1 for resident undergraduates and academic master’s students; 2.5 for Ph.D. students; and 5 for health sciences students. Centrally funded programs hosted at specific campuses will be excluded from the rebenching model. In addition, a \$15M fund will be allocated to each campus for core activities, prior to rebenching.

Chair Minster will be working with other systemwide committee chairs to discuss the Senate’s role in developing an [enrollment management](#) plan that sets appropriate CA-resident enrollment targets and ensures that campuses meet those targets. There is a need to more precisely define the per student cost of education and terms such as “funded” and “unfunded” student. The state defines a “funded student” as an undergraduate for whom UC receives approximately \$6,000 in state funding, but UC reckons the real cost of educating a UC student to be at least twice as much, and perhaps three times as much in terms of real expense.

UCPB will be monitoring the outcome of Proposition 30, the Governor's temporary tax increase measure, which could dramatically change the budget landscape for the University.

UCPB may schedule additional, brief teleconferences or iLinc meetings between regular meetings to address specific issues. The committee will schedule regular executive sessions to give members the opportunity to discuss issues off the record.

II. Consultation with UCOP

- *Patrick Lenz, Vice President for Budget and Capital Resources*
- *Debora Obley, Associate Vice President for Budget and Capital Resources*

UCOP is preparing two separate proposed budgets for the Regent's meeting in November that reflect the University's needs based on either passage or failure of Proposition 30.

If Proposition 30 passes, UC may be able to re-establish some state funding stability and predictability through a multi-year funding framework that would provide annual base budget augmentations alongside modest tuition increases. However, this agreement would only allow UC to meet its mandatory cost needs, not its most critical quality issues such as total remuneration, the faculty-student ratio, and graduate student support.

If Proposition 30 fails, UC will face a \$250 million trigger cut, lose the \$125 million tuition buy-out for 2012-13, and forego any possibility of a multi-year state funding framework, making it probable that tuition will increase significantly in the short term. The state's long term ability to invest in higher education will also become less likely. If both Proposition 30 and Proposition 38 pass, the measure receiving more votes will be implemented. If Proposition 38 passes, UC will still take a \$250 million trigger cut.

UC is concerned about a UC enrollment target the Legislature added to the budget that does not account for the reduction in state funding. The target assumes that UC enrolls 11,500 unfunded students (FTEs), but UC argues that the real figure is closer to 36,000 FTEs. UC and the state last agreed to a per student marginal cost figure (\$10,200) in 2008-09, before the latest round of cuts. It is important for the state and University to reach agreement about a realistic per student marginal cost.

VP Lenz noted that UC has been exploring creative ideas for funding academic buildings at UC Merced and other critical capital projects. These ideas capitalize on UC's excellent credit rating. The state is not funding any infrastructure projects and has no plan to address the capital needs of the state or the University, despite low interest rates and labor costs that make capital construction a good investment.

The Legislature has been supportive of UC by restoring proposed cuts to the Cal Grants program and funding UCRP, but there is an ongoing need to educate new policymakers about higher education and to give them a long term view of UC's state funding.

III. Consultation with UCOP – Introduction to Major Budget Topics

- *Debora Obley, Associate Vice President for Budget and Capital Resources*

- *Clifton Bowen, Assistant Director, Budget and Capital Resources*

Budget Development Process: Each year in August UCOP begins developing a budget request to the state for the next fiscal year that outlines the University's needs and priorities. The Regents approve the budget in November, and UC uses it in negotiations with the Department of Finance. The Governor releases his budget in January, and the Legislative Analyst's comments on the Governor's budget guide negotiations with the Legislature that occur throughout the winter and spring. The Assembly and Senate pass their own version of the budget and negotiate a final version they send to the Governor, over which the Governor has line item veto power. UC manages three budget processes simultaneously: developing a budget for next year, allocating budgets to campuses for the current year, and closing out the budget from the prior year.

Sources of University Funds: "Core funds" support the basic operations of the University, including faculty salaries, academic and administrative support, student services, financial aid, and operation and maintenance of plant. Core funds include State general funds, tuition and student services fees, and UC general funds. They represent only 27% of UC's total revenue, and exclude revenue generated from the medical centers, private support, contracts and grants, and self-supporting functions like auxiliaries. UC general funds are unrestricted funds based on MOUs between UC and the state, which specify that UC will use income from certain sources to support basic operations. These sources include nonresident supplemental tuition, a portion of indirect cost recovery on federal contracts and grants, and a portion of patent revenue income.

The largest component of the Core Funds budget is faculty salaries and benefits. UC pays faculty to teach undergraduates, to conduct research and teach graduates students, and to engage in public service. However, it is difficult to identify exactly how much is spent on each of those three areas, as the answer will vary considerably from one faculty member to another. Similarly, it is practically impossible to break down the actual cost of instruction by student type.

State support for UC has fluctuated substantially, tracking good and bad economic times, but over the long term, UC's share of the state budget has declined dramatically, while a larger proportion has been directed to the prison system and other state operations. UC uses an average cost of education methodology developed with the help of CPEC to define the per student cost of a UC education. Since 1990-91, average per student (inflation-adjusted) expenditures for educating UC students has declined 19% overall, the state's share has declined 60%, and the share from tuition and fees has tripled. Tuition and fee revenues exceeded state support for the first time in 2011-12. This situation constitutes a major challenge to UC's identity as a "public university." UC can still maintain current quality and access standards with steady state support and modest annual tuition increases. But without state support, UC will no longer be able to maintain its financial aid system that allows it to support large number of low income students.

Income and Expenditures: The functional categories in the published [UC budget](#) (pg 145-146) are commonly accepted classifications that were defined by the state years ago. As published, this budget is only to be considered as a plan. The actual incomes and expenditures differ from the projected budget due in part to the uncertainty of multi-year commitments and because campuses have some flexibility to move budgets across functions. The category "special funds" in the budget refers to restricted sources such as federal agencies, student fees, teaching hospitals and auxiliary enterprises.

Funding Streams: In the past, UCOP pooled all core funds and distributed them to the campuses to pay for cost increases on their base budgets. Some campuses complained that they were generating more educational fees than they were getting back through the allocation, and that campuses with already large base budgets were receiving disproportionate cost increases from the pool. The basic principle behind “Funding Streams” is that all money generated on a campus stays on the campus, with the exception of financial aid, which continues to be pooled and redistributed to campuses with a higher proportion of needy students. 2011-12 was the first year that UCOP instituted a 1.6% initial Funding Streams assessment to fund systemwide operations.

UCOP decided that basing the systemwide assessment on ability to pay would be the fairest and simplest method, so this assessment is based on expenditures. UCOP is reviewing alternatives to address concerns expressed specifically by UCSF, which pays 17% of the assessment but feels that UCOP does not provide proportionate services to that campus.

Rebenching: Funding Streams addresses all revenue except state general funds. Rebenching addresses the distribution of state funds to the campuses. Because campus funding has historically been allocated as a change from a “base budget,” and because of the student weighting scheme that was in place for many years until 1992, over time, legacy campuses that enrolled a large number of graduate students gradually became better funded on a per student basis, than younger campuses enrolling primarily undergraduates. The distribution formulas evolved to the point where those campuses were receiving \$4,000 more in state funding per student than any other campus. Many campuses thought this was inappropriate, and a joint committee was formed to discuss a new framework. The committee agreed that UC should fund all students of a given type equally regardless of their campus and increase the per-student funding of all underfunded campuses to the level of the best-funded campus over six years. The committee offered a judgment about relative weighting for different student types, established a \$15 million set aside for each campus to support core activities, and created a category of set asides for certain systemwide programs to avoid penalizing campuses housing those programs. Budgets for those programs are not included in rebenching calculations. Finally, they built in a provision to support aspirational graduate growth by providing funding to expand Ph.D. programs at the newer campuses over time.

Discussion It was noted that the cost of educating UC students has risen in part because the quality of K-12 education has declined, forcing UC to offer more remedial classes. In addition, the high cost of dormitory housing on some campuses is making UC less competitive with private institutions. There were also concerns expressed about nonresident enrollment— anecdotal evidence suggests that nonresidents disproportionately enroll in a campus’ strongest academic programs, with the result that those programs are “impacted” on some campuses. UC’s planning should address the effect of nonresident enrollment on access to specific programs. It was recommended that UCOP gather data regarding the size and composition of the potential nonresident applicant pool and their likely major choices.

AVP Obley noted UC is not displacing *funded* California residents and is monitoring the quality of the nonresidents it admits to make sure they compare favorably to residents. UC is generating millions more through nonresident tuition than it projected. Still, at the present time, UC’s total systemwide undergraduate nonresident enrollment is about 8.7%, much lower than UC’s competitors.

IV. Consultation with UCOP

- *Steven Beckwith, Vice President for Research and Graduate Studies*

Issue: Following the recommendation of a task force charged with examining UCOP-funded research programs, Vice President Beckwith is assembling a joint faculty/administration Research Portfolio Review Group (PRG) to advise him on the size, shape and quality of the portfolio of research investments and programs funded from UCOP. He invited UCPB to send one or two representatives to the PRG.

V. Consultation with UCOP

- *Aimee Dorr, Provost and Executive Vice President*
- *Todd Greenspan, Interim Chief of Staff, Office of the Provost*

Report: Provost Dorr joined UCOP on July 1. She said she felt her experience as a UCLA faculty member, dean, and former Academic Senate chair were relevant and could help the University during a difficult time. She will work to promote and sustain UC as a world class research university that meets the needs of California, the nation, and world, and will ensure that the academic perspective and a focus on maintaining excellence and quality is present in all budget and finance discussions.

She said long-range enrollment planning will begin after the November election. She wants the process to account for campus interests, goals, and plans, be guided by clearly defined principles, and be flexible enough to allow for reconsideration or adjustment as circumstances change. In addition to rebenching, enrollment planning is important for addressing workforce needs and campus growth trajectories. She said has reviewed the Senate's August 2012 [enrollment management principles document](#). She noted that the passage of Proposition 30 does not in and of itself, guarantee a stable, predictable fiscal future for the University.

Discussion: One member recommended looking at demographic projections for California high school graduates, and another suggested involving CSU in enrollment management discussions. It was noted that UC needs to agree to a set of guiding principles for enrollment management and that rebenching implies and includes a profound set of enrollment incentives for campuses. Enrollment planning should address campuses' desire to grow their graduate student populations but also ensure that they enroll all funded California undergraduates.

Todd Greenspan noted that in 2008, UC set a 2020 graduate student enrollment target of 26%, but the resources that would have allowed growth to that level have not materialized. He said UCOP is open to a discussion about principles and will send the Senate a draft of the enrollment management template they are developing for campuses. Chair Powell noted that a subcommittee of key committee chairs could give UCOP feedback on principles in a short time frame.

One member asked Provost Dorr to comment on ideas being circulated in the media for "reinventing higher education," such as operating year round and on weekends, charging differential tuition by campus or major, and increasing online education. She said she is open to new alternatives and possibilities. Campuses are already implementing strategies such as self-

supporting program conversions and scheduling classes during non-traditional hours. She wants UC to remain a diverse, residential, high-quality research university.

One member requested a presentation on “Quality 101,” addressing where UC stands on quality indicators such as the student-faculty ratio. It was noted that nonresident tuition for graduate students hinders UC’s ability to attract the best graduate students in the world, and one member questioned the continuing relevance of the Master Plan in a time of diminishing state support. It was noted that some programs are impacted more than others by nonresident enrollment, and are feeling the strain. Provost Dorr agreed that graduate nonresident tuition creates problems for faculty who fund students from research grants, but that NRT makes a huge difference in campus income. She said she is not ready to give up on the Master Plan, but acknowledged that UC may not be able to meet its commitment to all parts of the Master Plan in the context of the state’s disinvestment.

VI. Systemwide Senate Review Items

Proposed Pilot for a Negotiated Salary Plan: The pilot would be available to eligible general campus faculty at UCI, UCLA, and UCSD for a four-year evaluation period. It would allow them to supplement their income with non-state resources such as grant funds, endowment earnings, and professional degree supplemental tuition. The joint Senate-administration Task Force that recommended the pilot was convened after the defeat of APM 668, a similar proposal [reviewed](#) by the Senate last year. UCPB member Elizabeth Deakin served on that Task Force, and UCPB Vice Chair Senear represented UCPB on a committee that took up the issue three years ago. UCSD was the only campus that supported APM 668. Proponents hope the plan can address faculty recruitment and retention problems in specific disciplines such as the biological sciences.

Discussion: It was noted that the prior committees as well as UCPB and others in the review of APM 668, expressed similar concerns about the concept—that the plan could exacerbate existing salary inequities and create new inequities by giving one subset of faculty differential access to additional funding, and undermine the faculty voice in merit and promotion cases while giving additional authority to administrators. It was noted that the task force pushed UCOP to produce metrics defining who would benefit from or be affected by a negotiated salary plan; however, no study was done, so the task force concluded that it did not have enough data to make a decision, but it did recommend the pilot as a way to produce data. It was noted that UCSD developed a local plan to address concerns raised by the academic personnel committee and others. The lack of a negotiated salary plan affects the morale of senior faculty in the biological sciences there. It was noted that UCPB supported the idea of a pilot study last year; it would be a useful way to gather data.

Action: UCPB will draft a short memo noting that the committee finds no reason to change the opinion it expressed in its review of APM 668, but support moving ahead with the pilot study, to collect and analyze relevant data.

Report of the Rebenching Budget Committee

Action: UCPB decided to defer discussion to the November meeting.

Proposed Open Access Policy: It was noted that the issues addressed in the proposed policy are complex. Some faculty think the language is not clear enough with regard to intellectual property rights. It was noted that UCSF implemented an open access policy in May, and initial outcomes from the policy will be available by December. UCSF believes the policy will help advance scientific research for investigators at institutions in the United States or the developing world who lack the same level of resources or access to top tier journals as UCSF. UC has to ensure that policy supports edited journals.

Action: UCPB will discuss the issue again in November and will invite the chair of UCOLASC, who authored the policy, to consult with the committee.

VII. Campus Topics and Priorities

The UCSD committee on planning and budget is hosting a faculty budget education workshop later this month. The goal is to increase general literacy about the budget by providing an overview of UC and UCSD funding trends, the structure of the UC and UCSD budgets, and the budget planning process. The committee is also discussing online education, self supporting programs, enrollment planning, nonresident enrollment, and the office of technology transfer. Recent power outages have raised concerns about campus infrastructure and deferred maintenance.

UCB is also concerned about the aging infrastructure of laboratories and other campus facilities, and about power outages that have impacted faculty research. The committee is discussing enrollment planning, the chancellor's proposed middle class access plan, and competitive salaries. Berkeley wants UCPB to discuss the extent to which the push to a shared services model has shifted administrative work previously performed by staff to faculty.

The UCI committee is bringing new members up to speed on budget issues and the budget gap facing the campus and scheduling meetings with a broad variety of administrators, including the EVC; vice chancellors for development, facilities, and academic planning; the director of transportation planning and parking; the campus architect; and others. The committee is also working with graduate council on new guidelines for self-supporting programs.

The UCR committee wants to play an active role on the search committees for vacant leadership positions. Like Berkeley, it is also concerned that any savings from the shared services model comes at a cost – additional faculty work and reduced services and service quality.

The UCLA budget committee is participating in an upcoming budget retreat along with other Senate committees. The committee is discussing the campus's push to increase the number of revenue-generating professional and summer programs, and concerns that the UCLA budget will be cut more than its fair share as the rebenching project moves forward or in the event of more state cuts. The committee has been involved in discussions about a new conference center, the potential sale of campus assets, and the consolidation of smaller departments.

The UCSB committee is working to educate the faculty and other members of the university community about Proposition 30. There are good relations between the Senate and administration. The plan to expand enrollment is running up against economic and political barriers to the construction of new student housing.

The UCD committee is considering the local implications of the Funding Streams model. It wants to ensure that budget allocations and expenditures are transparent from the top down to the department level, and that the difference between the budget and expenditures is clear.

The UCSF committee is discussing the re-negotiation of funding streams for the campus, and studying the implications of the Affordable Care Act, the presidential election, and Proposition 30. The committee is engaged in long range development planning and supports faculty members in personnel series that have not traditionally been part of the Academic Senate.

At UCSC, the potential for growth is limited by space and community-based restrictions. The committee is discussing the “UC Path” project, which will centralize all UC’s payroll and human resources services. UC Path is intended to save money, but the transition will cost UCSC money. The committee is discussing faculty and student retention problems, impacted majors, and support for graduate student recruitment. They suggest that UCPB investigate and discuss the extent of mandatory cost and compliance requirements systemwide is handing to the campus.

The undergraduate student representative noted that students have been organizing a letter writing campaign for Proposition 30, and are supporting a very energetic voter registration drive.

VIII. Consultation with the Academic Senate Office

- *Bob Powell, Academic Senate Chair*
- *Bill Jacob, Academic Senate Vice Chair*

Chair Powell noted that the Senate was [divided](#) on the details of faculty salary plan proposed last year by a Faculty Salaries Task Force. In particular, reviewers disagreed about the extent to which the “loyalty penalty” exists or is a problem. If Proposition 30 passes, funding may be available for a small pay increase, and similar questions may arise about how to apply the money to faculty salaries.

It was noted that Berkeley opposed the Faculty Salaries Task Force proposal because it felt the plan would have removed the flexibility it has to address its recruitment and retention challenges. The Berkeley Senate, through its budget committee, has more say about faculty salaries than any other campus Senate. The Berkeley administration has been willing to make discretionary funds available to meet the campus’s competitive recruitment challenges at the assistant professor levels, and the budget committee has a policy to bring Associates up to market rates; however, they have not been able to meet the same challenges for full professors, who face a loyalty penalty.

Meeting adjourned at 4:00 p.m.
Minutes prepared by Michael LaBriola
Attest: Jean-Bernard Minster