

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
November 5, 2013

I. Consent Calendar

- October 1, 2013 draft meeting minutes

Action: UCPB approved the October minutes with minor corrections.

II. Announcements

- *Don Senear, UCPB Chair*

October Academic Council Meeting: President Napolitano attended her first Academic Council meeting on October 23. She called for a Senate-Administration working group to respond to a report from a panel headed by former CA Supreme Court Justice Moreno that addresses complaints of racial bias and discrimination affecting UCLA faculty. The President views the issues cited in the report as a systemwide problem requiring a systemwide approach. Council also discussed the details of the recent lease revenue bond debt restructuring deal, faculty concerns about changes to the UC employee medical insurance plans, and how four proposed composite benefits rate scenarios will impact fund sources at each campus. Council was also briefed by UCOP's Communications office about the results of a University perceptions survey, which found that both alumni and the general public view the University positively.

Total Remuneration Study: UCOP has agreed to update a 2009 study of faculty total remuneration using the final 2009 methodology to clarify where UC faculty stand against UC's target eight group of competitors. A small working group will be selecting a consultant to conduct the study and monitor progress, with final results expected by June 2014.

Enrollment Issues Work Group: An ad hoc working group composed of Senate members and UCOP and campus administrators has been meeting to discuss enrollment issues in the context of the current systemwide enrollment planning process, and competing demands related to academic, financial, access, diversity, space, political, and other pressures. The group has also been discussing the future of the referral guarantee system and transfer enrollment.

UCPB Representation: Chair Senear and Vice Chair Leal will represent UCPB on the UC Education Abroad Program Governing Committee, and Chair Senear will also chair its finance subcommittee. The Senate office has asked UCPB to appoint a representative to the Academic Council Special Committee on Laboratory Issues.

III. Consultation with Academic Senate Leadership

- *Bill Jacob, Chair, Academic Senate*

UC Care: Council has sent a [letter](#) to President Napolitano outlining concerns about gaps in coverage under UC Care for employees at some campus locations and for faculty who regularly

travel for extended periods of time for research. UCFW and its Health Care Task Force are monitoring the issues closely and will be considering strategies for ensuring that UC Care provides equivalent options at all campuses in future years.

Composite Benefit Rates: UCOP has modeled the effect of four new composite benefits rate scenarios on various fund sources at each campus and provided the results to the campus budget directors. The Senate has objected to all scenarios so far on the basis that any charges assessed against a funding source be based on an actual benefit received by the employee. UCOP has been clear that the two campuses that negotiated separate rates for summer salary with the federal Department of Cost Allocation will not be allowed to keep them, and that a single plan will be used for all campuses starting next year.

Discussion: It was noted that UCPB is interested in several financial issues related to UC Care, particularly the budgetary, enrollment, and risk assumptions of the program, the extent to which its financial projections depend on the number and demographics of enrollees, and a comparison of those assumptions with actual outcomes, when they become available. UCPB is also interested in learning more about the various lines of insurance and budget reserves and what fraction of the reserves relate to UC Care. Chair Senear also encouraged UCPB members to seek out and obtain the composite benefit rate models for their campus.

IV. Consultation with UCOP – Long-Range Enrollment Plan

- *Debora Obley, Associate Vice President, Budget and Capital Resources*
- *Todd Greenspan, Director, Academic Planning*

Long-Range Enrollment Plan: UCOP staff are compiling and analyzing campus long-range enrollment plans (2013-14 to 2020-21). The plans are aspirational and expected to change as a systemwide plan is developed. Based on the submissions, UC's total systemwide enrollment is projected to grow by 15% over the 8-year period. This figure includes 3.2% CA resident undergraduate growth and 102.8% nonresident undergraduate growth; an 0.8% decline in enrollments of new CA resident freshmen and a 5.4% increase in California Community College transfer enrollments as a proportion of total enrollments. Systemwide nonresident enrollments as a proportion of total enrollments will nearly double (9% to 17%) and grow as high as 23% on individual campuses. The proportion of graduate and professional enrollments is projected to grow from 21% to 23%. (The 2008 LREP projected graduate growth to 26%.) Enrollments in self-supporting programs are also projected to grow by 32%.

UCOP will be working with campuses to define the principles and priorities that should guide the systemwide plan. After reaching a consensus, UCOP will discuss individual campus plans with campuses in the context of the principles and priorities, and how the plans should be revised to meet them. Eventually, these conversations will be translated into specific enrollment targets. UCOP expects to share initial thinking about systemwide priorities in January.

One of the most important issues to consider is how and in what form UC will continue to support its Master Plan commitment to eligible California resident freshmen and community college transfers, and what that will mean for the university and its budget over the next 8 years. UC will also be reviewing the Department of Finance's long-term projections for CA public high

school graduates, the state's need for bachelors and graduate degrees and its request for increased transfer enrollments, and the University's ability to support enrollment growth in the context of the Governor's multi-year budget plan.

Rebenching Issues to be Addressed: Enrollment management and rebenching are closely related, because rebenching is based on budgeted enrollments and ties distribution of most State general funds to weighted student enrollments. UCOP has identified a number of rebenching issues to address as the enrollment planning process moves forward. These include how to determine the enrollment targets that will become the base for the rebenching model in each of the remaining years; the nature of the "penalty" for campuses that fail to meet their CA resident enrollment targets and whether this penalty will be used to incentivize other campuses to take on students beyond their targets; how the rebenching model should address campuses that fail to achieve the 12% academic doctoral student growth target by the end of the six-year rebenching period; how to account for enrollments not included in rebenching, such as nonresidents and non-state-funded residents campuses may decide to enroll; the extent to which campuses should have flexibility to shift enrollments from one category to another within rebenching targets; how to allocate any future funded enrollment growth among the campuses; and incentives for meeting specific state and system priorities such as increasing transfer enrollments.

Discussion: AVP Obley noted that she opposes a strict penalty for campuses that fail to meet resident enrollment targets or decide to enroll more resident undergraduates than they are budgeted for. She is also concerned that the UC system should not increase resident enrollments that are not associated with new state funding. It was noted that the Academic Senate supports the concept of a penalty, because campuses have a financial incentive to displace residents with nonresidents and should be deterred from making unilateral decisions that impact other campuses or systemwide priorities. It was noted that implementing the penalty on the basis of a rolling average rather than on a year-by-year basis may be an appropriate option to consider, and that UCOP should exert central authority to enforce systemwide goals.

It was noted that some campuses and departments lack research money and/or laboratory space to support their graduate student growth targets, even with the additional rebenching credit for that growth. It was also noted that UC may not have enough new state funding to implement rebenching within the original six-year timeframe.

V. Capital Outlay

[Higher Education Bill AB 94](#) has authorized UC to use up to 15% of its state general fund allocations to fund debt service for capital project expenditures. In addition, the state shifted to UC's base budget all state-funded debt service for UC capital improvement projects funded from general obligation (GO) bonds. Future base budget adjustments will apply to this \$200 million increase. A 5% adjustment to the GO bond portion of the base budget could generate \$10 million for capital finance the first year and create a state-funded capital program of about \$150 million over 15 years. All capital projects funded through the program must be approved by the Department of Finance. UCOP is discussing whether to maintain a systemwide program for capital projects funding or to allocate the money directly to campuses through Funding Streams

and allow them to fund their priorities. UCOP has already submitted a list of capital projects for each campus to the DOF for 2013-14 based on previously submitted campus priorities.

The legislation also notes that all savings resulting from debt service refinancing must be directed to reducing UCRP's unfunded liability. UCOP has interpreted this provision to include all liability, including the annual normal cost. The new lease revenue bond restructuring deal will generate \$100 million in cash flow savings annually for ten years; directing these savings into UCRP will free up \$100 million in operating funds.

Action: Chair Senear asked UCPB members to discuss options for the new capital program with their divisional committees.

VI. Performance Metrics

Several UCOP groups have been developing a set of metrics and academic indicators to meet the requirements of [Senate Bill 195](#). The Provost has sent a list of proposed metrics to the Senate chair, who has asked relevant committee chairs to assess them and identify others that may be appropriate. The metrics are due to the state in March.

Discussion: It was noted that although UC does well on many “throughput”-based metrics like units-to-degree and time-to-degree in comparison to both public and private competitors, such metrics risk damaging educational quality if enforced too aggressively. UC should identify metrics that relate closely to educational quality, and should also broaden the conversation to include Ph.D. production and the impact of UC research on the state's economy. It was noted that student and alumni satisfaction and the employability and earnings of graduates are also important metrics. It was noted that the annual [UC Accountability Report](#) includes some useful measures of quality, and that several UC campuses are ranked highly in the Washington Monthly's [rankings](#) of universities based on their contributions to the public good. It was also noted that many departments on many campuses were highly rated for their PhD programs in the most recent NRC Report.

Action: Chair Senear asked UCPB members to discuss the issue with their divisional committees in time for fuller discussion in December.

VII. “Budget 101”

- *Debora Obley, Associate Vice President, Budget and Capital Resources*
- *Clifton Bowen, Director, Operating Budget*
- *Elisabeth Willoughby, Budget Coordinator*

For the benefit of new and returning UCPB members, consultants from the Budget Office provided an overview of University revenue and fund sources, functional categories in the UC budget, and how UC uses the concepts of “marginal cost” and “average cost” to describe the cost of a UC education.

Sources of University Funds: The three core revenue sources that comprise the UC budget and support the basic operations of the University are State General Funds, UC General Funds, and

tuition and student services fees. State General Funds are the main appropriation UC receives from the state. UC General Funds are unrestricted funds the state expects UC to generate from certain sources and use to support basic operations. These sources include nonresident tuition, application revenue, a portion of indirect cost recovery on federal contracts and grants, and a portion of patent revenue income. Student tuition and fees are now the largest fund source in the core funds budget, exceeding state fees for the first time in 2011-12. In addition, more than half of UC's revenue comes from government contracts and grants; endowment earnings; private support; and self-supporting enterprises like the teaching hospitals and auxiliaries.

Expenditures: The expenditure categories listed in the budget—instruction, research, public service, academic support, student services, and operation and maintenance of plant—are standard categories used by higher education institutions. Instructional costs related to the general campus and health sciences are the largest and comprise 46% of expenditures, and 70% of UC's expenditures relate directly to people in the form of academic and staff salaries and benefits. The average per student (inflation-adjusted) expenditure for instruction has declined 13% overall since 1990-91. The state's share has declined 53% over that time.

Cost of Instruction: The state is now requiring UC to produce an annual study on the cost of instruction that disaggregates costs in terms of undergraduate education, graduate academic education, graduate professional education, and research activities; by general campus compared to health sciences campus; and in terms of STEM versus non-STEM majors.

Marginal cost of instruction and average cost of education are two ways to think about the cost of instruction, although neither accurately describes the amount UC needs to deliver a quality education. Marginal cost, most recently estimated to be about \$10,000, is a political negotiated figure which calculates the amount of state funding UC theoretically needs to educate each additional general campus student above the budgeted number within the University's existing physical infrastructure. It includes the cost of additional faculty needed to meet the official budgeted 18.7:1 student-faculty ratio and 62:1 student-TA ratio targets. Average cost of education calculates the average amount UC actually spends per general campus student. It includes state general funds, UC funds, and tuition, and excludes financial aid. It incorporates a variety of instructional costs, administrative expenses, institutional support, and operation and maintenance of plant. The average expenditure per student was estimated to be \$19,590 in 2013-14.

VIII. Consultation with UCOP – Office Research and Graduate Studies (ORGS)

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

Research Budget: UC's research budget has declined about 7%, due to a 12%, or \$300 million, cut in federal research funding resulting from sequestration. Although the 12% cut has been offset partially by increased funding from private industry, it should be noted that industry tends to fund specific interests, while federal agencies fund basic research. Budget cuts have impacted several systemwide research programs overseen by the Office of Research and Graduate Studies (ORGS), including the UC Discovery Grant, which has been eliminated, and the Multicampus Research Programs and Initiatives (MRPI) program, which had a \$16 million budget only 5 years ago, but now has a budget of less than \$5 million. The State has also cut funding for the California Institutes for Science and Innovation. In addition, ORGS funds systemwide research

initiatives with a portion of the \$30 million fee awarded to UC each year for its management of the National Laboratories, and the UC Observatories Board reports to ORGS about funding and management related to UC's shared astronomy facilities.

Strategic Vision: UC's system of distributed excellence extending across ten campuses allows the University to foster research collaborations that give it a unique strategic advantage in the world. The main goal of programs like the Laboratory Fees program and MRPI is to facilitate and support new opportunities for collaboration and innovation. Some campuses have questioned the need for a central UCOP research office, and so one question going forward is the extent to which the central office adds value to these collaborative efforts compared to what the campuses could do on their own.

Portfolio Review Group (PRG): UCOP convened the PRG to advise the Vice President on the optimal allocation of central research funding and the overall value of the portfolio of programs overseen by the Office. The PRG has been reviewing the portfolio of MRPI-funded programs for fit, function, and value as well as the role of programs that are not competed.

IX. UCPB Member Issues

UCPB members discussed some of the highest priority issues for the committee. In addition to enrollment management, they include capital issues, including the best mechanism for addressing capital renewal, seismic retrofit, and space needs on the campuses, and the extent to which some or all of those needs should be considered systemwide obligations as opposed to campus obligations; the UCOP budget, including the off the top elements and those funded through the Funding Streams assessment.

Meeting adjourned at 3:45 p.m.
Minutes prepared by Michael LaBriola
Attest: Don Senear