I. Announcements
   o Jean-Bernard Minster, UCPB chair

October Academic Council Meeting
Council received briefings from the BOARS chair about BOARS’ Report to the Regents on comprehensive review and the implementation of holistic review, from the UCFW chair on total remuneration and the competitive position of UC faculty compensation, and from UCOP about the state budget and the implications of Proposition 30’s passage or failure. Regent Bruce Varner joined a portion of the meeting to discuss the future of the University. He demonstrated an impressive knowledge of issues and was extremely supportive of the faculty’s goals of maintaining quality. The vice provost for academic personnel discussed the negotiated salary plan trial program proposed for three campuses. (UCPB met via teleconference in late October, and approved a memo to Council expressing support for the trial program.)

Other Updates
UCOC is reviewing Senate nominees for the Portfolio Review Group, which will review UC’s portfolio of centrally-funded research programs and advise the vice president for research and graduate students about priorities. UCOP is circulating alternatives for increasing the sustainability of the University’s Education Financing Model, which include raising parental contribution expectations, increasing student borrowing and/or part time work expectations, and raising tuition, which would increase the amount of aid available for low income student grants.

II. Composite Benefit Rate Proposal

ISSUE: The Composite Benefit rate is an average of all eligible benefits applicable to an employee group. UCOP wants to move to composite rates to simplify the billing system and align it with the UCPath project being implemented on July 1 in a way that is consistent with U.S. Department of Cost Allocation rules. UCOP has proposed two options for reducing the number of rates charged by employee type at each location to two: (1) one rate for all faculty, and the other rate for staff and all other academics, or (2) one rate for faculty and other academics, and the other rate for all staff.

DISCUSSION: Faculty and administrators have asked UCOP to extend the review period to give campuses a chance to understand the proposal and assess its impact. Many faculty are unhappy about the proposed treatment of summer salary, sabbaticals, and “y” salary in the composite rate formulas, and are concerned that there are too few composite rates being proposed to accurately represent a fair distribution of cost. There is concern that composite rates will create cost inequities across departments, and harm faculty research, graduate students, and the competitiveness of faculty grant proposals. The extra costs that will be applied to grants could mean the difference between funding one and two Graduate Student Researchers. The plan should treat summer salary and “y” salary differently from academic year salary, and should not
tax the grants of non-UCRP faculty to fund UCRP faculty benefits. A separate strategy is needed for grants that do not provide enough for benefits. The proposal notes that six competing universities charge composite benefit rates to summer salaries, but UCRP is a defined benefit plan, while the comparison universities cited have defined contribution plans. It was noted that the proposal is intended to shift $49 million away from state funds and tuition to external funders, not to save money overall. This goal is inappropriate, because a state research university should use tuition to fund the cost of research. Finally, the inability of UCPath software to accommodate multiple rates or salary bands should not define policy.

III. Consultation with UCOP

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

**REPORT:** The UC budget office estimates that Proposition 30 could swing the UC budget by as much as $525 million. If the measure fails, UC will face an immediate $250 million trigger cut this fiscal year, lose the $125 million tuition increase deferral for 2012-13 promised by the state in the 2013-14 budget, and likely forego a multi-year state funding framework being discussed by state and UC leaders that would provide modest annual base budget augmentations. Proposition 30 is not the only ballot initiative that could affect the UC budget. Proposition 39, the Income Tax Increase for Multistate Businesses Initiative, would close a corporate tax loophole and provide new revenue to fund “green” energy projects in the state, some of which UC might access for capital projects.

The 2013-14 UC budget the Regents will review in November is based on the passage of Proposition 30, although UCOP is also preparing a Plan B budget in the event the measure fails. The Regents will hold a pre-meeting the Saturday following the election to discuss the outcome. The Regents have indicated that they will consider a mid-year tuition increase only if Proposition 30 fails, and will not discuss a tuition increase for 2013-14. UCOP estimates that a 20.3% increase will be needed to offset the $375 million cut resulting from the failure of Proposition 30.

UCOP has been informing the Regents about the impact of state budget cuts on quality, and the revenue needed to fund UC’s critical needs—the student-faculty ratio, the salary competitiveness gap, graduate student support, instructional support, and deferred maintenance. UCOP has also been detailing its efforts to find alternative revenue solutions such as Working Smarter and strategic sourcing. UCOP is clear, however, that these solutions are insufficient to bridge the total budget gap, and in some cases will not produce savings for several years.

The Regents will review a $789 million long-range capital funding plan—required of all state institutions even if no funding exists for the priorities. They will discuss adopting a resolution supporting the provisions of AB 970, which establishes consultation and notification requirements for any tuition increases that occur after January 1, 2013. UC has always sought to notify students about increases as far in advance as possible. The concern is that it is not always possible or practical to give long-term notice about tuition increases due to the timing of state budget negotiations. UC wants policymakers to understand that a bill pending in the legislature to cap the number of nonresidents at each campus would force UC to raise tuition on residents. UC continues to pursue a debt restructuring plan with the state and capital funding for new academic buildings at Merced.
IV. The History and Future of the California Master Plan for Higher Education

- John Douglass, Senior Research Fellow, Center for Studies in Higher Education, UC Berkeley

**Issue:** John Douglass joined UCPB to discuss the history of the Master Plan; contemporary challenges to maintaining and enhancing quality, access, and affordability; and a new vision for a California higher education system he believes will better serve the needs of the state.

**The California Idea:**
California was the first state to develop a coordinated, comprehensive approach to higher education. It established the first public junior college (1907) and the A.A. degree (developed by Berkeley faculty), both of which were critical to the expansion of college access, social mobility, and the state’s economic competitiveness. California formally established the tripartite structure in 1920, and was the first state to establish articulation agreements between public higher education institutions. California created approximately two community colleges each year between 1910 and 1960, and by the 1950s, nearly half of UC students were transfers from the community colleges. CSU, which originally focused on teacher education, became a baccalaureate driven institution in the 1920s. In 1919, the UC Regents made UC the first multi-campus public university system in the United States by adding UCLA. They declared that UC was “one university” in 1934. The California system became a model for other countries wanting to build high quality higher education systems.

**The 1960 Master Plan:**
Contrary to popular belief, the Master Plan was not the creation of one man (Clark Kerr), but a series of negotiations and agreements between the Board of Regents and the State Board of Education (which ran CSU) that were built on earlier planning studies. The Master Plan did not create the tripartite system, guarantee tuition-free education, or expand California’s commitment to mass higher education. Rather, it was a budgetary and political decision intended to reduce costs and expand enrollment capacity by shifting future enrollment demand to the CCCs. In this sense, the Master Plan actually reduced access to UC and CSU (UC took the top 15% between 1920 and 1960). The Master Plan did solidify the existing missions of UC, CSU and CCC, and formally recognized the faculty’s role as researchers. It created the CSU Board of Trustees, and adopted a development plan for new campuses that UC and CSU approved in 1957. Finally, the Master Plan helped control future costs; the state’s enrolment-based funding model was an incredible deal for taxpayers.

**Contemporary and Future Challenges:**
Today, California higher education is living off the past, and is not “fit for purpose.” The segments are not growing fast enough to meet demand. The system is running out of space, and is projected to reach capacity by 2019. The Master Plan designers did not anticipate the symbiotic nature of the system—the extent to which the health and vitality of one segment affects the system as a whole. They did not anticipate California’s population explosion, demographic changes that increased the number of racial minorities, immigrants, and poor, the decline in the state’s support of higher education relative to costs, the erosion of the high school graduate pipeline, or the quality of California secondary schools. The designers anticipated that 55% of all higher education enrollments would be in the CCC system, when it is actually over 70%. And while the community college system enrolls large number of students, it also has high drop-out rates, and the transfer function has declined compared to 1960. Today, 22% of CCC
students state an intention to transfer, but only 18% do. California is now a moderate access state that is among the bottom ten in degree production. California was once ranked first in categories such as per student spending and graduation rates, but it is now ranked in the bottom ten in many categories. The state has backed away from its commitment to low tuition, challenging the segments’ enrollment balance and their historic commitment to admitting a broad segment of the state’s population. To meet the U.S. President’s targets for increasing the number and percentage of college graduates with degrees, the country needs to produce 8 million additional B.A. and A.A. degrees by 2020, of which California’s share is 1 million. California’s ability to meet this target is highly doubtful.

Reimagining Higher Education:
“It’s about the money, but not only.” To meet California’s socio-economic mobility and competitive needs, the state must set ambitious goals for access and degree production, reduce the number of part-time students and students enrolled in two-year programs, revamp its institutional structures, re-engage state leadership and higher education leaders in a collaborative strategy, and return to a 1960’s-style state-federal government partnership. In addition:

- **Admissions capacity**: Expand access to UC and CSU, and plan for public higher education enrollment and program growth.
- **New institutions and programs**: Designate a key group of CCCs as transfer colleges, consider the strategic development of some CCC into four-year institutions; consider establishing a new polytechnic multi-campus public segment, and establish the California Open University.
- **Funding**: Fully embrace progressive high tuition/high financial aid model. Plan for a statewide increase in foreign and out of state students to attract talent, help labor needs, and raise tuition revenue.
- **Transform the CCC system**: Create 80 comprehensive CCCs, 20 transfer-intensive CCCs, and 10 B.A.-granting CCCs in strategic locations.

**Discussion**: It was noted that the genius of American higher education is the role of community colleges in retraining adults to be more competitive in the job market. If one only focuses on B.A. production, it underestimates the broader accomplishments of the higher education system. It was noted that the geography of the institutions is a key piece of the picture. We need to ensure that they are regionally spread out. UC benefits from talking about the Master Plan in terms of the mission differentiation.

V. **Rebenching and Enrollment Management**

**ISSUE:** Rebenching is the second phase of UC’s internal budgetary reform. It seeks to re-balance the historical general fund allocation formulas that determine the proportion of state funds UCOP distributes to each campus, by equalizing the per-student ratio of funds across campuses over six years. UCOP began implementing rebenching this year, although some details are not resolved. Academic Council recently made a statement about the need for an enrollment management plan under rebenching that will set appropriate and enforceable CA-resident enrollment targets and ensure that campuses have a financial incentive not to under-enroll their resident target. The rebenching plan proposes that for each student below the target, a campus will lose its per-student funding times a multiplier. Council has suggested a 150% penalty.
**Discussion:** It was noted that like Funding Streams, rebench should be viewed as an experiment that can be constantly tweaked and improved, and it is important for rebench to work in a way that does not break the system in the process. It was agreed that rebench is consistent with UC’s historical commitment to enrollment-based distribution of funding, and that UCPB needs more information about how UCOP and the state calculate per student “average cost” and “marginal cost”.

**VI. Open Access Policy**

- **Christopher Kelty, Chair, University Committee on Libraries and Scholarly Communication (UCOLASC) (Phone)**

**ISSUE:** UCOLASC is proposing a systemwide open access policy that would give UC a limited, non-exclusive right to make published UC faculty scholarship available in an existing open-access online repository housed at the CA Digital Library.

UCOLASC Chair Kelty noted that the policy will help disseminate UC faculty research publications and address the rising cost of journal subscriptions. The generous opt-out clause should alleviate any concerns related to a faculty member’s academic freedom, and about the effect of the policy on small scholarly societies that depend on subscription revenue for their survival. (Societies can ask faculty members to opt out, or faculty member may choose to opt out.) He noted, however, that the opt-out clause has also raised a concern that the policy is too weak with respect to publishers. One major concern remains, which is that while the policy can be implemented without additional funding, the difficulty or ease of depositing an article will depend in part on the willingness of UCOP and the chancellors to invest in improving the current system. He asked UCPB to consider the most desirable business model for funding open access. Specifically, how much of the library budget should subsidize research publications compared to the research budget of the individual faculty member? One model is “gold open access,” in which faculty pay to publish. Should the library shift expenditures away from subscriptions to help fund that model? Should some of that money come from grants?

**VII. Composite Rate Benefit Briefing**

- **Peggy Arrivas, Associate Vice President and Systemwide Controller**

After an initial round of consultations, UCOP is modeling the addition of four composite rates to the two being proposed, and considering an extension of the review timeline. The composite benefit rate methodology pools all benefit costs to create an average overall cost, recognizing that not all participants receive all the benefits. The proposed model is derived in part from principles outlined in OMB Circular A-21, A-87, and the Department of Cost Allocation best practices manual. 60% of universities use a fringe benefit rate, and more are finding it beneficial to switch to one. All universities using a composite rate include pension costs in the model. In addition, spreading the cost helps ensure that undergraduate tuition is not subsidizing the cost of research.

**Discussion:** Members noted support for averaging and pooling rates, but urged UCOP to model multiple rates that account for a wider variety of employee, to add a separate rate for non-UCRP users, to compare UC only to universities with a defined benefit plan, and to exclude summer salary and “y” salary from the model. They noted that it would be inequitable to base a composite rate on income that does not contribute to retirement. There was concern that the plan
would compromise the research enterprise by transferring money out of grants and reducing the money available to hire graduate students. Moreover, they noted that it is appropriate for student tuition to help fund the full teaching, research, and service mission of the university. The notion that tuition “subsidizes” research is not a valid concern at a research university. Tuition helps pay for the cost of running the University. AVP Arrivas noted that to minimize winners and losers, UCOP is proposing a cap so that faculty with a large “y” component do not pay benefits up to their total salaries. They have removed some groups that were creating disparities from the rate calculation, and are looking at other groups. However, there is concern that the DCA will not approve a model that includes a separate rate for non-UCRP users.

VIII. Consultation with UCOP – “Budget 101” Part II: Long-Term Budget Modeling

- Debbie Obley, Associate Vice President for Budget and Capital Resources
- Clifton Bowen, Assistant Director, Budget and Capital Resources

The long-term budget model presented to the Regents in July outlines cost drivers, cost reduction solutions, and new funding solutions for meeting the university’s critical needs and bridging the budget gap through 2016-17. The plan returns UC to its 2007-08 position—the year before the state cuts began—but does not address the funding needed to restore quality. It requires UC to successfully execute all elements of the budget plan: stable and predictable state funding, modest tuition increases, increased efficiencies, and alternative revenues.

The model anticipates total cost drivers of nearly $3 billion through 2016-17, which include nearly $1 billion in state cuts since 2007-08, mandatory cost increases to UCRP and employee and retiree health benefits, academic merits, 3% annual compensation increases, non-salary price increases, deferred maintenance and capital renewal, 1% enrollment growth of unfunded residents, and cap and trade charges. Cost reduction solutions in the model include reducing UCRP employer cost to 14%; delaying capital renewal projects; limiting health benefit increases; capturing $500 million from new administrative efficiencies; and increasing private giving, indirect cost recovery, nonresident tuition, and professional degree supplemental tuition. UC has achieved $289 million in actual savings toward its total Working Smarter goal of $500 million. Even with the reduced cost drivers a $1.4 billion gap remains, which can only be made up with increased state support and/or tuition.

Consultants noted that modest 3% annual salary increases will only maintain UC’s current position, not return salaries to market levels. The chair of the California Air Resources Board is considering an exception for UC’s cap and trade fee based on UC’s efforts to increase energy efficiency. UC enrolls 11,000 students for whom it has never received funding. That figure rises to at least 25,000 when the cuts are taken into account.

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