TO THE ASSEMBLY OF THE ACADEMIC SENATE:

The University Committee on Planning and Budget (UCPB) held ten regular meetings in Academic Year 2012-13 to conduct business with respect to its duties to advise the President and other University agencies on policy regarding planning, budget, and resource allocation as outlined in Senate Bylaw 190 and in the University-wide Review Processes for Academic Programs, Academic Units, and Research Units (the “Compendium”). UCPB also scheduled additional teleconferences between regular meetings to address specific issues. The major activities of UCPB and the issues it addressed this year are outlined briefly, as follows:

**MONITORING STATE BUDGET NEGOTIATIONS AND THE IMPACT OF CUTS**

Senior leaders from the UCOP Budget Office and Office of Business Operations joined each UCPB meeting to update the committee about the progress of budget negotiations in Sacramento; budget contingency planning; UC advocacy around Proposition 30, UCRP funding, funding for UC Merced academic buildings and other capital projects, funding for green energy projects through Proposition 39, tuition policy, a proposal to shift debt service for lease revenue bonds for UC capital improvement projects to the UC budget, proposed performance outcome measures, and other UC-specific budget matters. Administrators briefed UCPB on their efforts to inform and educate legislators and Regents about UC’s cost-saving projects, options for adjusting cost drivers and revenues, and the critical need for new revenue to maintain quality. UCPB members emphasized the ongoing need for UC to educate policymakers about higher education issues and to encourage policymakers to take a long-term view of UC’s needs. They emphasized the need to protect the research environment for faculty and to employ industry and others to help make the case for the importance of university research to the economy and a highly educated and skilled workforce. They urged UCOP to communicate to the state and the Regents specific examples of the damage incurred on campuses as a result of six years of budget cuts, especially if it revealed evidence of declining quality.

UCPB was concerned about the impact of deferred maintenance and unfilled faculty positions on the academic and research enterprise. The committee discussed campus and systemwide strategies for addressing cuts, implementing cost-saving measures, and raising revenue, including hiring freezes, cancelled faculty searches, delayed plans for new programs and facilities, and enrolling more tuition-bearing non-residents.

**“BUDGET 101” PRESENTATIONS**

For the benefit of new and returning UCPB members, Chair Minster asked the Budget Office to coordinate a series of “Budget 101” presentations around different topics. The October presentation summarized the state and university budget-setting and allocation process and provided an overview of University revenue and fund sources, functional categories in the UC budget, budgetary terminology, and what the Funding Streams and Budget Rebenching reforms mean for campus and systemwide budgets. In November, the budget office discussed UC’s long-term budget model that outlines the cost drivers, cost reduction solutions, and new funding necessary to meet the University’s critical needs and bridge the budget gap through 2016-17. Presentations in December and July focused on how UC uses the concepts of “marginal cost”
and “average cost” to describe the cost of a UC education and the relevance of those terms to
discussions about enrollment management, per-student funding, and cost of instruction reporting.
In January, Student Financial Support staff presented an overview of the University’s financial
aid programs in the context of new alternatives being considered for UC’s financial aid funding
strategy. In May, UC’s Director of Pension and Retirement Programs and representatives from
the Regents’ actuary discussed pension funding issues and the assumptions involved in
calculating UCRP’s actuarial valuation, the Plan’s Normal Cost, and its Unfunded Actuarial
Accrued Liability. John Douglass, Senior Research Fellow at the UC Berkeley Center for Studies
in Higher Education, spoke to the committee in November about the history and future of the
California Master Plan for Higher Education.

Most of these lectures included PowerPoint presentations and supporting documentation. These
will be entered as a collection accessible through the Senate web site.

**STATEMENT ON QUALITY INVESTMENTS**
UCPB supported efforts to identify specific areas in the University budget for which new
financial investments could support academic quality and UC’s status as a first-class public
research university. In February, UCPB sent a statement to the Academic Council identifying
four high priority areas for multi-year investments. These include investments related to the
undergraduate classroom experience such as reducing the student-faculty ratio and supporting
direct individualized instruction; investments related to graduate education such as providing
competitive fellowship support to help attract and retain the best young scholars; investments
related to faculty such as increasing start-up funding and reducing salary gaps to help recruit and
retain the best faculty; and investments in technology to enhance academic and research quality
in all areas. UCPB also discussed the need for the University to identify metrics that will
demonstrate the extent to which the new investments impact quality.

**OPEN ACCESS POLICY PROPOSAL**
UCPB submitted comments to Council in January and July in response to the University
Committee on Libraries and Scholarly Communication (UCOLASC)’s proposed Open Access
Policy. The UCOLASC chair also joined UCPB by phone in November to discuss and answer
questions about the policy. UCPB did not endorse the policy and instead expressed concerns that
it could shift new, unexpected costs to faculty that would be drawn from the author’s grant
support, that it would not produce significant net savings for the University, and that it would
have a differential effect on faculty in certain disciplines who would be forced to opt-out to
protect their scholarship. UCPB recommended that before implementing the policy, UC conduct
a more comprehensive study of its budget implications and the most appropriate budget model
for UC libraries and scholarly publications. In the meantime, UCPB expressed support for a
policy in which the default allows faculty to “opt in” to open access without having the “opt in”
option be the default.

**COMPOSITE BENEFIT RATE PROPOSAL**
UCPB received several briefings from UCOP and Senate leaders about a UCOP plan to move to
a simplified Composite Benefit Rate billing system. Significant concerns from UCPB and other
Senate committees about the proposed treatment of summer salary, sabbaticals, and “y” salary in
the proposed composite rate formulas led to important changes in the plan. However, the Senate
was informed that UCOP could not implement a separate rate for summer salaries due to federal
government rules. UCPB continues to support a plan that charges a benefit rate to summer
salaries that is closer to actual cost rather than one that is based on academic year salary. UCPB notes that latter would result in a funding cut for faculty with summer grants, which will harm faculty grant competitiveness and reduce graduate student support. It also notes that the proposed rates amount to doubling the rates for various categories since 2008 and, as such, will drive up direct costs of research grants to a level that may render UC research grants less competitive in an already difficult research funding environment. UCPB awaits the results of an ongoing negotiation between UCB and the federal government about a specific summer rate that will address these concerns as a prelude to future discussion of the topic.

**FINANCIAL AID**

UCPB reviewed a set of options put forward by the UCOP Office of Student Financial Support for modifying UC’s undergraduate student financial aid funding allocation methodology. UCPB expressed a preference for a policy-driven approach to financial aid that recognizes the importance of UC’s aid programs to providing access for low-income students; that provides stability, clarity, and predictability for families and students; and that raises tuition most for families most able to pay, over the unpredictability of a revenue-driven solution. UCPB recognized that no option can preserve access and affordability without a substantial increase in state support or tuition, but that the status quo is unsustainable over time if UC wants to achieve its current policy goals. UCPB noted that UC should market and publicize any adopted option in a way that enhances the public’s perception of UC’s access, affordability, and value. UCPB also expressed its support for a proposal to develop a more accurate assessment of parental resources than the federal methodology collected on the FAFSA to help make more financial aid funding available to students who actually need it. UCPB was less supportive of a proposal to use large tuition increases to cover 50% of tuition and fees for students from families making between $80,000 and $120,000.

**FUNDING STREAMS**

UCOP briefed UCPB on alternate models being considered for calculating the Funding Streams assessment. The models are being generated to address concerns from some campuses that they do not receive benefits from UCOP proportionate to their assessment, and that the current model, which bases the assessment purely on campus expenditures, is an overly blunt instrument. UCPB reviewed one model that would assign weights to various UCOP functions based on usage, ability to pay, and other metrics, and account for the special circumstances of the medical centers. UCPB encouraged UCOP to engage both local and systemwide Senate committees in discussions about the models. UCPB understands that no change to Funding Streams will occur before the 2014-15 academic year. UCPB expects to study and opine on a more final proposal in the 2013-14 academic year.

**REBENCHING**

UCPB monitored the implementation of the first year of the budget rebenching project. UCPB continued to support the main goal of rebenching—to rebalance the historical allocation formulas that determine the proportion of state general funds distributed to each campus. UCPB understands that a total of $222 million—or $37 million annually over six years—will be required to bring all underfunded UC campuses to the level of the highest funded campus, and that the small amount of new state money received in 2012-13 permitted only $17 million to be directed toward rebenching last year, but that $37 million of new state general funds and an additional $20 million to address the 2012-13 shortfall will be distributed under the rebenching formula in 2013-14.
ENROLLMENT MANAGEMENT
UCPB continued to push UCOP to develop a comprehensive enrollment management plan, administered by UCOP, to complement the rebenching project. UCPB noted that Funding Streams has increased the financial incentives campuses have to enroll nonresidents and potentially under-enroll resident undergraduates, making it critical for UCOP to establish a process for working with campuses to set undergraduate enrollment targets and enforce those targets, to ensure that UC meets its Master Plan obligations. UCOP did share with UCPB the campuses’ fall 2013 enrollment targets, but as of August, it had not yet formulated a long-range enrollment plan. UCOP assured UCPB that it would be reviewing long-range enrollment plans from the campuses over the summer to determine a systemwide enrollment level that is consistent with the Master Plan and current state funding, and would share a final enrollment plan with UCPB in the fall.

UCPB believes it is critical for UC to establish an appropriate enrollment funding bench-line with the state that accounts for the reduction in state funding and communicates the real cost of educating a student at a UC-quality level. UCPB sought more information about the formula UCOP and the state use to determine the per-student marginal cost of education and to calculate the number of “funded” or “unfunded” students. UCPB encouraged UCOP to help prepare a clear description of these concepts and labels, and to determine the actual number of unfunded students and the real cost of a funded student.

NEGOTIATED SALARY TRIAL PROGRAM
UCPB reviewed a proposal for a negotiated salary trial program that will allow eligible general campus faculty on three campuses to supplement their income with non-state resources such as grant funds, endowment earnings, and professional degree supplemental tuition. UCPB reiterated the concerns it expressed in November 2011 about the proposed APM 668, which would have implemented a similar program on all campuses; however, UCPB did not object to moving ahead with the trial program on a limited basis, with the understanding that a primary goal will be the collection of quantitative data to evaluate the effectiveness of the plan. UCPB agreed that a negotiated salary program could help recruitment and retention problems in specific disciplines such as the biological sciences, but warned that it could also slow momentum for fixing the salary scales; exacerbate existing salary inequities and create new inequities; undermine the faculty role in merit and promotion cases; lead departments to favor some kinds of research over others; create distinctions among faculty based primarily on their ability to generate revenue; and create incentives for faculty to seek more lucrative grants and choose to pursue certain areas or kinds of research based primarily on higher salary potential.

CONSULTATIONS WITH THE CFO DIVISION
The Chief Financial Officer and his staff provided UCPB with regular briefings about finance programs and projects managed by the CFO Division, including a study of campus Short Term Investment Pool (STIP) accounts which determined that the transfer of $2 billion of excess liquidity from STIP to the Total Return Investment Pool (TRIP) or the Long Total Investment Pool (L-TRIP) could generate $30-70 million in unrestricted revenues each year for the campuses at low risk. UCPB encouraged the CFO to consider leveraging the liquidity to help fund UC’s pension costs. The CFO also briefed UCPB about the status of UCPath, P200, and other common technology systems; the finance plan for a proposed second Bay Area campus for the Lawrence Berkeley National Laboratory; financial issues related to the UC Student Health
Insurance Plan’s (SHIP); and the Division’s capital market strategies involving the sale or refinancing of bonds. In general, UCPB members expressed support for the efforts of the CFO Division; however, they also conveyed concerns some campuses have expressed about UC Path’s cost and how it could affect the quality of benefits services faculty receive.

ONLINE EDUCATION
UCPB was briefed by the Senate chair and vice chair, UC provost, and others about a developing plan for using $10 million the Governor’s UC budget set aside for online educational technologies. The UCPB chair attended one of the working meetings the provost hosted in mid-April for Senate and campus administrative to discuss goals for and concerns about online teaching and learning, infrastructure needs, and to inform next steps toward a formal RFP for courses to be developed as part of the project, now called the Innovative Learning Technology Initiative.

CAMPUS REPORTS
UCPB set aside a portion of most meetings to give members a chance to discuss local issues and concerns, including those related to rebenching and funding streams, online education, self-supporting programs, enrollment planning, nonresident enrollment, UCPath, and faculty and student retention issues. Committee members also spent time comparing the charges, characteristics, and activities of their campus Planning and Budget committees, their access to different kinds of budget data, and their involvement in budget and planning decisions. There was interest in updating and revising a survey about local committee practices.

OTHER BRIEFINGS

History and Future of the California Master Plan for Higher Education: John Douglass, Senior Research Fellow at the UC Berkeley Center for Studies in Higher Education, spoke to the committee in November about the history and future of the California Master Plan for Higher Education; contemporary challenges to maintaining and enhancing quality, access, and affordability; and a new vision for a California higher education system.

Overview of New UCOP Energy Services Unit: Facilities Management Director George Getgen briefed UCPB about UCOP’s new Energy Services Unit, which was created to help UC campuses achieve carbon neutrality, avoid costs associated with market-based emissions regulations such as cap-and-trade, and meet other specific UC sustainability policy goals.

SSPs and PDSTs: The Provost and others briefed UCPB about the work of a joint Task Force that was developing an updated Professional Degree Supplemental Tuition (PDST) policy, and the efforts of the Academic Planning Council to update Compendium policies around Self-Supporting Program policy and to add a policy and protocol for reviewing state-supported programs that wish to convert to self-supporting status.

LEGISLATION
UCPB was briefed on proposed legislation affecting UC, including a bill that would require California colleges and universities to collaborate with private, third-party providers to develop online courses that are accepted for credit in all three segments, a bill that would grant collective bargaining rights to graduate student researchers, and a bill that would give the Legislative
Analyst’s Office authority to define accountability metrics and goals for higher education in California.

**OTHER ISSUES AND ADDITIONAL BUSINESS**

- UCPB endorsed proposed revisions to Academic Personnel Manual 015 (Faculty Code of Conduct) regarding the freedom of faculty members to address matters of institutional policy.

- UCPB endorsed proposed revisions to APM Section 241, intended to bring the APM into conformance with Regents Policy and with the Compendium of Universitywide Review Processes for Academic Programs, Academic Units, and Research Units, regarding the appointment of MRU directors.

- UCPB endorsed proposed revisions to APM 600 Section IV, intended to clarify and correct APM language, align it with current practice, and prepare for the implementation of UC Path.

**UCPB REPRESENTATION**

Chair Jean-Bernard Minster represented UCPB at the Academic Council, the Academic Assembly, the Academic Planning Council, the Provost’s Budget Advisory Group, the Academic Council Special Committee on Agriculture & Natural Resources, the Academic Council Special Committee on Laboratory Issues, and the Professional Degree Supplemental Tuition (PDST). Susan Amussen served as UCPB’s representative to the UC Education Abroad Program Governing Committee. Former UCPB member Gary Leal continued to represent UCPB on the Technology Transfer Advisory Committee (TTAC).

**LOOKING AHEAD TO 2013-14**

In 2013-14, UCPB Vice Chair Donald Senear (UCI) will take over as UCPB chair and Gary Leal (UCSB) will serve as vice chair. UCPB will continue to monitor the state’s fiscal situation and its impact on the UC budget, the rebenching effort and other budgetary reform projects, enrollment management, UCRP funding, UC’s budget allocation process, UC’s pension obligations and debt programs, and contingency scenarios for UC’s budget expectations. UCPB will engage the Budget Office and other UCOP administrators on these and other topics, arguing forcefully for budget action on principles, and challenging administrators to communicate UC’s chronic under-funding and demonstrate the real consequences of state de-funding on student fees, enrollment, and programs. UCPB will continue to advocate for budget planning that maintains the quality of education, research, and service throughout the 10 UC campuses, for the importance of competitive faculty total remuneration, and for a strong research enterprise to ensure the future quality of the University of California. UCPB will analyze opportunities for achieving local and system-wide budget efficiencies; assess the degree to which local budget committees have access to information and input into budget decision-making; and work with other Senate committees on issues of common interest and concern.

**ACKNOWLEDGMENTS**

UCPB is grateful to the following committee consultants and guests for their valuable contributions: Vice President Patrick Lenz, Associate Vice President Debora Obley, Operating Budget Director Clif Bowen, and Principal Analyst Elisabeth Willoughby from the Office of Budget and Capital Resources; Provost Aimée Dorr and her chief of staff, Todd Greenspan; Executive Vice President Nathan Brostrom and Associate Vice President Michael Reese from the Office of Business Operations; Chief Financial Officer Peter Taylor; Director of Pension and
Retirement Programs Gary Schlimgen; Paul Angelo from Segal Consulting; Associate Vice President and Systemwide Controller Peggy Arrivas; Special Assistant to the Executive Vice President Kate Jeffery and Director of Student Financial Support David Alcocer. Thanks also to the faculty who served as alternates for regular committee members: Roger Ransom and Ken Barish (UCR), Daniel Friedman and Sue Carter (UCSC), and Avanidhar Subrahmanyan (UCLA).

Respectfully submitted:

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