

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
July 2, 2013

I. Consent Calendar

- June 4, 2013 UCPB Minutes

Action: UCPB approved the June meeting minutes.

II. Announcements

- *Jean-Bernard Minster, UCPB Chair*
- *Robert Powell, Senate Chair*
- *Bill Jacob, Senate Vice Chair*

Budget Issues: UC has its best budget in many years, but still faces long-term fiscal challenges and uncertainty. The state is not funding UCRP employer contribution increases, but UC is anticipating \$80 million in reduced financing costs from debt restructuring related to lease revenue bonds debt service, which it will use to cover some of the increases. The Senate has also been pushing UC to use some of the excess liquidity in STIP to partially address UCRP costs. Although the 2% faculty salary increase taking effect July 1 is good news, it does little more than offset the 1.5% increase to UCRP employee contributions taking effect July 1, without significantly addressing the salary competitiveness gap with the Comparison 8. UCOP has agreed to update a study of total remuneration that was conducted in 2009 and based on 2007 data.

Legislation: Senate Bill 520 has passed the State Senate and now moves to the Assembly Higher Education Committee for a hearing on August 6. If that committee votes in favor of the bill, it will move to the Appropriations Committee. UC is also monitoring legislative efforts around transfer admission, such as SB 440, which expands a prior mandate for the development of Transfer AA degrees at the community colleges that must be accepted by CSU.

Professional Degree Supplemental Tuition: In July, the Regents will review 61 PDST proposals, including several new fees proposed to take effect for 2013-14, and others proposed to increase or continue at the same level. The Regents are required to approve PDST levels annually, even if the PDST is not proposed to increase. A Task Force is developing an updated policy to guide the future proposal and approval of PDSTs. The Student Regent on the Task Force has been advocating for a provision granting loan relief to graduates who pursue low-paying public service jobs.

Innovative Learning Technology Initiative: An RFP for the development of credit-bearing online or hybrid courses through ILTI will be released in mid-July. UCOP will ask departments seeking ILTI resources for a course to offer it multiple times over three years and make it available to students at more than one UC campus. Intellectual property agreements around course will be based at the campus or department level, and control of courses will remain with the department chair.

Chair Powell thanked Chair Minster and UCPB members for their efforts on behalf of the Senate

and the University.

III. Consultation with UCOP

- *Patrick Lenz, Vice President for Budget & Capital Resources*
- *Debora Obley, Associate Vice President, Operating Budget & Facilities Management*
- *Clifton Bowen, Director, Operating Budget*

State Budget Update: In the final 2013-14 state budget, UC will receive \$125 million promised to UC in the 2012-13 budget for forgoing a tuition increase in 2012-13; a \$125 million, or 5%, general fund increase; an additional \$6.6 million for annuitant health care; and \$10 million to cover the current cost of lease revenue bond debt payments, for a total increase of \$142 million. The state also shifted \$201 million in debt service the state currently pays for general obligation bonds to UC's budget. The \$201 million will be added to UC's \$2.845 billion total budget base, so that any future increase to the base will adhere to the higher total. The state is also shifting debt service for lease revenue bonds for UC capital improvement projects to the UC budget, which will enable UC to refinance the debt on more favorable terms and generate at least \$80 million per year for 10-12 years. UC will use the money to fund the increase in the employer contribution to UCRP, the UC Riverside School of Medicine, and a new academic building at Merced. UC did not receive Proposition 39 funding as hoped.

The Governor vetoed his own budget provision mandating a \$10 million carve out of the UC budget for the development of online courses and technology; however, UC remains committed to using the \$10 million for the ILTI initiative, as originally proposed. The Governor also vetoed an enrollment target the legislature added to the budget that was opposed by UC because it failed to recognize 9,000 unfunded enrolled students. The final budget includes funding to initiate a CA Student Aid Commission program for middle class scholarships, intended to reduce tuition and fees for middle class students (family income of up to \$150,000) by about 40% beginning in 2014-15.

Funding Streams and Rebenching: The Funding Streams assessment methodology will not change in 2013-14, but UCOP continues to discuss options for a new model that will be implemented for 2014-15. UCOP expects the rebenching project to be completed on schedule, in six years; in 2013-14, \$37 million of new state general funds will be distributed under the rebenching formula, with an additional \$20 million to address the 2012-13 rebenching shortfall.

Anderson MBA Program Conversion: The President had approved the conversion of the UCLA Anderson School of Management MBA program from State-supported to self-supporting status. UCOP is discussing whether the program's student FTEs will continue to be counted toward the enrollment base for the rebenching calculation. There is support for an approach that treats campuses consistently but does not reduce UCLA's base budget.

Discussion: It was noted that the [Senate has opined](#) that students in a state-supported program that converts to a self-supporting program should not be counted as state-supported for enrollment management and rebenching purposes. At least at some point, the rebenching model should be adjusted to reflect that the Anderson MBA students are no longer state-supported, and perhaps an equivalent number of UCLA's unfunded CA undergraduate enrollments should be redefined as funded going forward for rebenching purposes. It was proposed to remove the Anderson students from the enrollment base for rebenching, but leave the UCLA funding in

place, which would increase the per student rebenching target (since UCLA sets the target) and phase in any funding effects over the remaining term of rebenching, subject to long term enrollment plans that should be governing the remaining process.

IV. Enrollment Issues Tutorial

- *Clifton Bowen, Director, Operating Budget*
- *Debora Obley, Associate Vice President, Operating Budget & Facilities Management*

UCOP uses the concepts of “marginal cost” and “average cost” to describe the cost of a UC education. Both are relevant to discussions about enrollment management, per-student funding, and the state’s request to UC for a new report on the cost of instruction.

Marginal cost is a politically negotiated figure that attempts to define the average cost of educating one additional student at UC and a level of funding UC expects from the state for each, most recently defined in 2010-11 as about \$10,000. The marginal cost formula incorporates several cost variables related to infrastructure, instruction, and quality—for example, maintaining an 18.7:1 student-faculty ratio.

Average cost calculates how much UC actually spends per student. It includes the costs borne by the State (general funds), the University (UC funds), and students (tuition), to support various functional areas in the budget related to instruction. Average cost is not a measure of need, but it is useful for tracking the overall decline in per student spending over time and the dramatic shift in the cost burden from state to student. 2011-12 was the first year that tuition exceeded state funding when reckoning how the total average cost is covered.

Marginal cost has become less relevant as the state negotiates UC budgets with less attention to UC’s capital needs and to maintaining standards of quality such as the student-faculty ratio. The state’s focus on average cost and expenditures hurts UC because it underestimates the real cost of educating a student at a UC level. UC will be identifying quantitative metrics and developing its own methodology for a marginal cost figure that more accurately portrays the investment necessary to maintain quality in a public research institution.

This summer, UCOP will be reviewing long-range enrollment plans from the campuses in the context of the system’s UC’s Master Plan commitment to California residents and current state funding. There is concern that the sum of the campus plans for undergraduate CA residents will fall short of the necessary systemwide number. The new president will also be asked to define his or her priorities. UCOP expects to be able to share a final enrollment plan by September.

Discussion: It was noted that UC should not inadvertently send a message that it is maintaining quality, despite the state budget cuts, through increased efficiencies. The line is blurred between genuine efficiencies, and actions such as increasing the student-faculty ratio, which save money but diminish quality. UC should make the student-faculty ratio more prominent in discussion and note that as the ratio creeps up, UC will no longer be able to compete for top students and faculty. The new president can help re-set the frame for the discussion and should be clear about the cost of the state budget cuts.

V. Systemwide Senate Review Items – Revised Open Access Policy

UCPB reviewed a draft committee memo responding to UCOLASC's revised proposed Open Access policy. The memo echoes the concerns UCPB expressed in January about the uncertain effect the policy could have on library and faculty research budgets and reiterating support for a default policy that allows faculty to "opt-in" to open access without requiring them to "opt-out."

Discussion: It was noted that open access will not be viable for some arts and humanities faculty who publish embedded copyright material that the policy may expose to copyright risk. In addition, it is not clear the policy will produce significant net savings for the University, as libraries will still need to maintain costly subscriptions. It was noted that the policy, if adopted, should be reviewed regularly during its first years.

Action: Final edits will be made to the memo, and a final draft will be circulated for review over email.

Meeting adjourned at 1:00 p.m.
Minutes prepared by Michael LaBriola
Attest: Jean-Bernard Minster