

**University of California Academic Senate
University Committee on Planning and Budget (UCPB)**

**Minutes of Meeting
April 4, 2011**

I. Consent Calendar

- Approval of the March 1, 2011 UCPB Minutes

Action: UCPB approved the March minutes.

II. Chair's Announcements and Updates

- *James Chalfant, UCPB chair*

Academic Council's March 30 consultation with senior management included a presentation from Vice President Lenz on the state budget and options for addressing the budget gap. President Yudof lamented the state's diminishing commitment to the Master Plan and indicated that he would like the Senate to issue a statement about faculty responses to the budget crisis, related to teaching. He recognizes that it would not be beneficial for the administration to simply state an across-the-board policy for increasing faculty teaching workload, but also spoke of the need for some kind of response. Chair Chalfant noted that this could also mean greater attention to major requirements and streamlining where appropriate, along the lines of UCLA's *Challenge 45*; fewer offerings of small, elective courses and more sections of gateway courses; and larger class sizes. The President also spoke about the need to maintain competitive faculty salaries and to better inform the legislature and public about UC's research mission. He wants to establish a five-year budget plan for the University, which may need to include regular tuition increases, and which could build in annual 3% faculty salary adjustments.

Council reviewed a revised list of UCOP-funded academic programs being considered for cuts, although the list did not include any specific proposals. It is expected that UCOP will reduce both its core administration and centrally managed systemwide research and academic preparation programs.

The "Rebenching" Budget Committee meets April 6. Its roster includes Senate members, chancellors, and senior administrators. UCOP has asked the Committee to recommend a revised methodology for distributing state general funds to the campuses by the end of 2011.

Vice Provost for Academic Personnel Susan Carlson's draft white paper, "Faculty Profiles for the 21st Century," describes current UC faculty roles and reward systems, as well as future options in areas such as "family friendly" policies, phased retirement, new faculty titles, and teaching responsibilities.

Update from Senate Leadership Senate Vice Chair Anderson:

- The executive vice chancellors on the joint faculty salary scales work group continue to push for applying any money available for salary increases to total salary for faculty who have had a favorable merit review in the past four years.

- The Governor's pension reform plan would cap pension benefit for public employees at \$106K, prohibit payment of pension benefits to those who commit a felony related to their employment, and institute other controls on pension spiking and the rehiring of retirees. The provisions could go into effect as soon as July 1, 2011 and affect UC faculty hired after that date.
- The Senate's support for UC's online education pilot project was contingent on external funding, but UC is still far short of the \$7 million it needs to fully fund the project. UC now plans to borrow from the Short Term Investment Pool and pay the money back with revenues generated by online courses.
- The Academic Senate should issue a statement about what UC faculty are doing to protect the student educational experience in the context of budget cuts.

Discussion: Members noted that there has been a lack of meaningful consultation with the Senate about proposed cuts to systemwide programs, and that UC should be clear with the Legislature about what it plans to cut and how it will react to any additional cuts. The pension legislation could motivate many faculty who reach the cap in their 50s to leave UC, and the felony clause could have a chilling effect on academic freedom, if it were applied to a protest action involving a faculty member.

III. Consultation with UCOP: Budget Briefing

- *With Debora Obley, Associate Vice President for Budget*

President Yudof, Vice President Lenz, and other UC and California higher education leaders are attending a Higher Education Advocacy Day in Sacramento, urging state leaders to end the state's disinvestment in higher education. The Governor has not been able to broker a deal with the Republican minority to put an initiative on the June ballot to extend temporary tax increases. A November initiative would also require a 2/3 approval of the Legislature to appear on the ballot. Campuses are planning for possible additional state cuts. The President says everything will be on the table in the event of further cuts, including tuition increases.

UCOP is planning to cut \$80m from central administration and centrally-funded academic programs, including subsidies to campus development offices and various earmarked research programs, which will reduce the campus share of the \$500m cut to \$420m. UCOP plans to cut the Division of Agriculture and Natural Resources to 1997-98 funding levels.

UCOP is moving ahead with plans to implement the Funding Streams budget model on July 1. UCOP now estimates that the initial flat tax assessment will be 1.4%, reflecting next year's cuts. UCOP will be posting all comments from campus respondents to Funding Streams. Associate Vice President Obley will participate in the Rebenching Committee. She said campuses differ starkly about whether the present system is fair and equitable.

Discussion:

- UC should target UC programs that benefit Republican districts. There have to be consequences for not funding higher education.
- Rebenching will help UC provide campuses with the resources they need to meet the needs of California. The present system for allocating state general funds is not rational.

IV. Consultation with UCOP – ANR

- *With Barbara Allen-Diaz, Associate Vice President, Division of Agriculture and Natural Resources*

Issue: Associate Vice President Allen-Diaz joined UCPB to discuss questions related to the ANR budget, ANR's recent redirection of endowment funds, academic review metrics, and the new Academic Council Special Committee on ANR. She distributed a document outlining ANR's strategic vision and its role in the UC mission.

Report: She noted that the Division is comprised of 700 faculty across four campus units at UC Davis, UC Berkeley and UC Riverside. In addition, ANR runs a Cooperative Extension (CE) office from UCOP. Cooperative Extension specialists are housed in units on the three ANR campuses, and a network of Cooperative Extension advisors and specialists work in all but one of California's 58 counties. The CE offices translate agricultural research through such programs as 4-H, the Master Gardener program, and a variety of other nutrition, health, and agricultural programs. In many counties, these programs are the face of UC.

Over the last 18 months, significant budget cuts have forced ANR to close or consolidate administrative units in many of its statewide programs, move its Water Resource Library to UC Riverside, and end participation in the Sea Grant program. She noted that [Cooperative Extension Advisors](#) are in the APM, and their personnel cases are reviewed by a peer review committee. The data in Appendix 1 of the Strategic Vision are drawn from unpublished white papers written by ANR faculty.

Small federal earmarks provide ANR with \$17 million, but ANR is no longer a line item in the state budget. UCOP provides ANR with a \$60m budget composed of \$17m in salary and support for CES specialists at the three campuses; \$16m for salary and support of advisors in the 57 counties; \$11m for statewide programs and strategic initiatives, including competitive grants; \$11m for academic support units, including the research extension; and \$4m in UCOP and campus administration.

ANR is working hard to inform legislators and other constituencies about the importance of UC's public land grant mission and agricultural research. Ultimately, the University will have to decide if ANR is fundamental to its land grant mission.

Discussion: Chair Chalfant noted that UCPB advises the Senate and the President on budget matters. The Committee is looking at the viability of all centrally funded research programs as the state's role in funding UC declines. Under Funding Streams, UCOP will use its assessment on all campus revenues—including tuition and patient revenues—to fund ANR and other programs that do not directly educate students. After rebenching, campus base budgets will be decided on a different basis, and ANR campuses may receive less on a per student basis. ANR should consider the implications of Funding Streams and rebenching for its budget and mission, and make sure that its message to the Legislature points out that ANR is funded out of a single allocation.

One member expressed concern about ANR's recent decision to redirect endowments without Senate consultation. AVP Allen-Diaz responded that ANR operates under shared governance principles, and those decisions were vetted with councils comprised of faculty members, deans,

and program directors from the ANR campuses. UCPB members responded that the Senate has a responsibility to advise on budget through its established committee structure. Deans and program directors do not report to the Academic Council. ANR uses a lot of UC discretionary money. There needs to be more faculty involvement in decision making and more transparency.

One member noted that agricultural research is fundamental to UC's mission, but it is unclear that ANR is the best way to fulfill that mission. ANR is an historical artifact that arose with the founding of Davis and Riverside. UC's land-grant status should not privilege only three campuses. Today, ANR's functions could be carried out on the campuses without an independent ANR.

It was noted that ANR has not yet responded to UCPB and UCORP's [proposed metrics](#) for future academic reviews of ANR. Associate Vice President Allen-Diaz said she is drafting a response and UCPB should have it in two weeks.

UCPB and Associate Director Allen-Diaz agreed to continue the conversation.

V. Self-Supporting Program (SSP) Recommendation from CCGA

Issue: The Coordinating Committee on Graduate Affairs (CCGA) has drafted guidelines for Graduate Councils to use in their reviews of Self-Supporting Program proposals. CCGA has also asked UCPB to find out what information CPBs want as they discuss the proposals.

Discussion: Chair Chalfant suggested that proposals should address potential budgetary impacts on related programs. For example, if the department proposing the SSP also offers a PhD or undergraduate program, will faculty be diverted from those existing programs, and how will such diversions affect the quality of those related programs?

It was noted that the procedures for the review of professional degree supplemental tuition proposals call for consultation with students and faculty. In addition, it would be useful to have a common template or set of templates available for CPBs to use in reviews of SSPs and MRUs.

Action: Members will discuss with their CPBs and Graduate Council counterparts and UCPB will discuss further in May.

VI. Consultation with UCOP

- *Peter Taylor, Chief Financial Officer*
- *Maria Anguiano, Associate Director, Office of the CFO*

Issue: CFO Taylor and Associate Director Anguiano updated UCPB on UC's plan to fund a portion of the UCRP employer contribution with money borrowed from the Short Term Investment Pool (STIP).

Report: The current 4%/2% employer/employee contribution is inadequate to fund the normal cost of UCRP plus interest on its unfunded liability necessary to keep the pension plan whole. To help address the problem, the Regents have authorized a combination of STIP and external

borrowing involving the transfer of \$2.2 billion in assets to UCRP over the rest of the current fiscal year and 2011-12.

UC transferred \$1.1b from STIP into UCRP on April 1, and UC now believes that it will be most cost effective to invest an additional \$936m in a variable rate, 30-year corporate bond fixed at 1% for three years with a call option. They hope to execute this action by August 2011. Plans to restructure UC debt are on hold.

Campuses, medical centers, and federal grants will be assessed a fee to pay the interest and principal on the note. STIP account holders will be paid interest on the note over a 30-year amortization schedule. UC will reset the interest rate each year based on actual STIP results (currently 2.11%), preserving STIP liquidity in the short term. UC projects that these actions will reduce the required employer contribution from 20% to 18.8%, representing a savings of over \$100 million per year.

Action: Committee members expressed appreciation for the work of the Office of the CFO.

VII. Consultation with UCOP

- *Dwaine Duckett, Vice President, Human Resources*
- *Gary Schlimgen, Director, Pension and Retirement Programs (phone)*

Issue: Consultants joined UCPB to update the Committee on the process and timeline for new employee and employer contributions to UCRP and the implementation of the new UCRP tier.

Report: Vice President Duckett reported that the UC employer contribution to UCRP is scheduled to rise to 7% of covered compensation in fiscal year 2011-12, and to 10% in 2012-13. The Regents have not yet approved increases beyond that date, but UCOP has told campuses to expect 2% annual increases starting in 2013-14. UC employee contributions will rise to 3.5% of salary effective July 2011 and to 5% effective July 2012. UC will bring the Regents a plan for 2013-14 employee and employer contributions within a few months. UCOP understands that the Senate [opposes](#) an employee contribution higher than 7% for current employees who stay under the current plan terms.

UCOP is currently bargaining the July 2011 increase with the unions and the Legislature is still discussing a budget line item that would require UC to provide AFSCME members with \$3 million in raises. UCOP believes strongly that union-represented employees should pay the same rates as other employees.

There may never be a good time politically to implement raises for faculty and non-represented employees, but UC will find a way; it is the right thing to do. UC has asked campuses to set aside money for 3% annual raises into the future. UC is seeking additional market data on cash compensation to make a stronger case.

There are four vendor finalists for the University-wide payroll system project. A management work group is reviewing proposals, and UC expects to make a decision by June.

Director Schlimgen added that the University will spend \$270 million on retiree health benefits this year. UC resets the retiree health assessment rate annually, which is currently \$3.31 per \$100 of covered payroll, but could rise as high as \$3.60 for fiscal year 2011-12.

Discussion: Vice Chair Anderson noted that the UCFW Health Care Task Force is reviewing options for shifting health care costs from employer to employee, and the effect those options will have effect on total remuneration. The Senate also wants to update the Total Remuneration Study results to include Health Sciences faculty. He said for the systemwide payroll project to work, UC will need to do a better job of aligning staff classification systems across campuses. Otherwise, we risk delays and cost overruns.

VIII. Implementation Task Force Preliminary Draft Report

The Academic Council Task Force charged with developing an actionable plan grounded in the report of the “Powell Commission” has completed a first draft of its report. It outlines short, medium, and long-term options for managing the budget gap, enrollment, and costs. It also proposes a new way of determining the true number of students the state is funding, as well as a formula for rebenching the proportion of state funds each campus receives, introducing a common state subsidy per student across UC campuses.

Chair Chalfant said the Task Force began with the principle that under rebenching, every resident undergraduate should receive the identical state subsidy, regardless of his or her campus. Moreover, UC’s assessment of the cost of delivering quality education should define the amount of the subsidy, rather than a calculation based on the money available from the state divided by the number of enrolled resident undergraduates. The report assumes that campuses will gradually reduce unfunded enrollment and increase their enrollment of non-residents. It will be necessary for campuses to enroll the number of state-funded students defined in these new enrollment targets. In effect, a campus that decides to take additional unfunded residents reduces the per student state subsidy to the University, undermining the systemwide message to the state. Campuses may still elect to enroll those students, in the short run, but the Task Force anticipates that they will be displaced by non-residents over time. In addition, campuses that fall short of their resident enrollment target, perhaps in favor of expanding their non-resident population, will also lose a portion of the state subsidy.

The report proposes a mechanism for adjusting resident targets, calls for a stronger central role in enrollment management, and includes a section on faculty teaching titles, responding to a proposal that UC add APM titles that require more teaching and less research. It departs from earlier UCPB discussions in its recommendation for providing greater weight for graduate students in funding formulas.

Discussion: Members expressed support for basing the re-benching formula on students, rather than the age of buildings or other factors. Members agreed that the marginal dollar “value” of a student should be equivalent across campuses.

It was noted that UC should resist state pressure to enroll unfunded students. In addition, it may be difficult for UC to reach agreement with the legislature about the true number of state-supported students. Campuses that can increase their revenues via other means should do so to

take pressure off the system, but there should be a transition period to allow all campuses to build up their non-resident population.

Merced will be the only campus offered to undergraduate resident referrals this year. UCOP has also introduced a new non-resident referral pool. Non-residents who are not offered a place at any campus to which they have applied will be offered a review at another UC campus. There are about 2000 domestic and several dozen international non-residents in the referral pool. President Yudof has imposed a 10% systemwide target cap for non-resident enrollment, although some individual campuses are expected to exceed that. The Master Plan says UC must admit non-residents from the upper half of the admit pool. Once all campuses step up their efforts to recruit non residents, the non-resident enrollments on all campuses may increase.

The funding formula should be as simple as possible. Campuses may also want to increase graduate enrollment, and undergraduate enrollment is just one part of a larger budget and enrollment model that takes into account graduate education. It is risky to base everything on undergraduate enrollment if it sends a message to the state that it does not have to fund research and graduate education. The state should know that it costs more to have a research professor teach an undergraduate.

Chair Chalfant noted that the Provost has suggested building various incentives for campuses into re-benching, such as improving diversity or taking more referral students. Members noted that this would build a new set of inequities into the system that re-benching is attempting to eliminate. The Medical Centers are a special case that should be addressed separately.

IX. Alternative Faculty Salary Plan

Provost Pitts commissioned a joint Senate-Administration task force to consider a new compensation plan, similar to the Health Sciences Compensation Plan, which would allow individual general campus faculty to increase their salaries with outside sources.

Donald Senear reported that the task force is drafting new APM language and focusing on issues of compliance with federal guidelines, eligibility criteria, and how much salary faculty could be paid from outside sources. The task force has agreed that a portion of the funds should be released to the general campus; the increased salary has to be separated in time from the duration of the grant; and different types of money should be involved in funding the plan.

Discussion: The plan could help retain many faculty who would otherwise leave and reduce tensions between medical center and general campus faculty.

The meeting adjourned at 4:00 pm
Minutes prepared by Michael LaBriola
Attest: James Chalfant