

**University of California Academic Senate**  
**University Committee on Planning and Budget (UCPB)**  
**Minutes of Meeting**  
**February 1, 2011**

**I. Consent Calendar**

1. Approval of the January 11, 2011 UCPB Minutes

**Action:** UCPB approved the consent calendar.

**II. Chair's Announcements and Updates**

- o *James Chalfant, UCPB chair*

The Academic Council learned that the President continues to support salary increases for faculty and non-represented staff in the form of range adjustments, based on merit. The EVCs favor applying range adjustments to both the on- and off-scale portions of salary. However, it is unclear that the Regents will support any plan for salary increases in the current budget environment.

Council approved a resolution regarding the disposition of \$20 million UC receives, above its costs, for managing the Department of Energy National Laboratories. The resolution states that the fees should be viewed as UC funds that are equivalent to other central funds available for University priorities, including allocation to the campuses for general purposes or to systemwide research programs.

Council endorsed a joint UCPB-CCGA-UCORP resolution asking the Division of Agricultural and Natural Resources (ANR) to suspend its redirection of campus endowment funds until ANR consults the Senate. Chair Chalfant invited ANR Executive Director Dooley to attend a future UCPB meeting. Chris van Kessel also discussed the redirections with Director Dooley, who said he wants to resolve the issue, but also expressed concern that the Senate will recommend redistributing ANR's budget to all nine campuses away from the campuses that maintain ANR's original land grant mission. It was noted that at no time has UCPB proposed such a re-distribution.

There is a new Council task force constituted by the chairs of three key standing committees and four divisions that will discuss the fiscal impact of the Special Committee on a Plan for UC's recommendations and develop implementation plans based on data to be supplied by UCOP. The task force will model the fiscal impact of potential enrollment changes and discuss the possibility of hiring more faculty into titles with greater teaching duties or creating a new title that includes more teaching.

Chair Chalfant served on a task force reviewing proposals for the online education pilot project. The task force has sent approximately 30 of the original 70 applications to a second round of review. Either Chair Chalfant or Vice Chair Minster will serve on a follow-up task force concerned with the evaluation of the pilot.

**Discussion:** With a \$61m budget, ANR is the largest centrally funded academic program. Its size and reach makes it a candidate for special scrutiny as cuts are discussed. At the same time, UCPB should establish principles that can be applied broadly to all centrally funded research programs, including but not limited to ANR.

It was noted that Senate approval of the online pilot project was contingent on funding coming from outside foundations and funding sources, but there is no outside funding yet.

### **III. Budget Briefing**

- *Patrick Lenz, Vice President for Budget and Capital Resources*

Higher education stakeholders, including faculty, administrators, labor, and student representatives met with staff from the California Department of Finance and the Legislative Analyst's Office last Friday to discuss possibilities for absorbing proposed budget cuts that do not include raising student fees or reducing enrollment.

The labor union representatives want legislation that would force CSU and UC to adhere to Labor's recommendations, which include reducing executive compensation, eliminating athletic subsidies, "recalibrating" indirect cost recovery, and abolishing the UCRP 415(m) Restoration Plan. UC is preparing responses to those recommendations.

VP Lenz testified before the Assembly and Senate budget subcommittees last week. He addressed misconceptions about UC's resources and its commitment to access and affordability. The leaders of the three segments will appear before the Assembly budget subcommittee on February 7. The Governor wants the Legislature to agree to a budget and a June ballot initiative to extend temporary tax increases by March.

UCOP is meeting with campuses about potential options for addressing cuts. In March, UCOP hopes to present the Regents with a menu of systemwide options available to them.

VP Lenz recommends that UC leave all revenue options on the table, including tuition increases and enrollment options such as changing the proportion of non-residents and/or cutting or increasing enrollment. UC is asking the state to give UC maximum flexibility in deciding how to implement its \$500 million reduction. It is unlikely that the state will introduce legislation that mandates actions around fees and enrollment.

UC is considering cutting several legislatively mandated research programs. Some cuts would require budget bill changes to remove published earmarks, while others are based on historical agreements or understandings. There is also the possibility of shifting some outreach programs to K-12 or the Community Colleges. Stakeholders will need to achieve a quick consensus about cuts, as there is no time for a peer review of every program.

**Discussion:** Enrolling more resident undergraduate could actually help campus budgets even if UC does not receive state funding for them, due to the additional \$7,000 in fees (net, after return to aid) that students bring with them. In any case, UC needs to think carefully about its enrollment strategy.

UC should develop a new methodology to model un-funded enrollment to emphasize the impact of the \$500 million cut. For example, there are 11,000 students enrolled at UC who the state has not funded. Total state dollars divided by funded students currently totals about \$10k per student. By incorporating the \$500 million cut into the total, UC arrives at a larger number of over-enrolled students. This calculation is the appropriate one, rather than simply acquiescing in a reduction in the state subsidy, and keeping the number of funded students constant.

UC needs to send a clear message to Sacramento that the cut will have consequences. Showing that UC can get by with less could damage UC in the long run. UC should not limit its options around enrollment and fee revenue. The University cannot continue to make access and affordability a priority without harming quality.

#### **IV. Individual Member Reports: Cost-Cutting Ideas**

UCPB members discussed emerging campus strategies for addressing their share of the \$500M budget cut. Members noted that campuses are unsure how to absorb cuts and new employer contributions to UCRP without additional fee increases. Campuses are already lean in many areas and are having trouble identifying possibilities for either targeted or across the board cuts. Some campuses are modeling severe cuts, including the closure of libraries and schools, but those are producing only half the needed cuts. There is a limited amount of revenue that can be generated from domestic non-resident or international students, and a limited number of possible program consolidations. Applications are up and all campuses are facing pressure to increase enrollment and accept more transfer students. Some campuses see increasing enrollment as the best way to increase revenue, but the system wants to reduce enrollment, which sends a valid, but contradictory message, and expanding enrollment could also exacerbate the impacted major problem. The budget directors believe that UCOP administration and UCOP-funded programs can be cut by at least 1/3.

UCR may close a satellite campus and delay the opening of its medical school, which has no funding apart from a \$10 million state earmark. UCSF does not yet have a plan for addressing the cuts and questions why UCOP's flat tax model is better than a fee-for-service model. Merced's enrollment will climb from 4,300 to 5,000 in 2011-12, but the campus lacks adequate funding and classroom space and may have to turn away referral pool students. UCSB's long-range development plan requires an expensive Coastal Commission review. UCSC wants to increase enrollment to generate more revenue. It wants to cut its fleet services and printing programs, eliminate boutique classes and small departments, improve major pass through, and allow departments special rights to limit enrollment in majors.

It was noted that although there is no time to do peer reviews, program cuts should not be top-down. There is evidence that the student experience and educational quality is declining: a rising student-faculty ratio, fewer TAs, increasing difficulty of getting into a class or a major, and increased use of Scantron testing over written essays. These conditions also affect faculty recruitment.

Vice Chair Anderson noted that the President told the Regents that UC could be forced to turn away some UC-eligible students at some point in the future. Republican legislators are asking the state to convert public employee pensions into Defined Contribution Plans in exchange for support for the governor's budget, which could affect UCRP.

#### **V. Report of the Senate Membership Task Force**

UCPB reviewed the [report](#) of the Task Force on Senate Membership, a UCFW memo endorsing the report, and a UCFW minority opinion expressing concern about the status of a growing number of faculty in non-Senate provisional titles, some of whom may be misclassified but lack grievance rights to help them address that fact.

**Discussion:** The budget implications of the report are few. The issue of "bridge funding" could have budget implications if departments establish Senate membership as a criterion for such funding. One of the report's recommendations is to change the titles of misclassified faculty, which could require departments to open a costly search. As funding declines, the ratio of non-

Senate to Senate faculty is bound to increase and the role and presence of non-Senate faculty is likely to gain in relative importance.

**Action:** In the end, UCPB elected not to opine on the report because it could see no clear and predictable budgetary impact from expanding Senate membership, but the committee will submit a short statement encouraging UCFW to continue studying the issues.

## **VI. Funding Streams Proposal**

To help in the review of the Funding Streams proposal, UCPB had requested data from UCOP showing expenditures by revenue source across the campuses, as a means of understanding how each campus and each campus division would contribute to central functions under Funding Streams; for example, the medical centers compared to the general campus, research grants compared to tuition. UCOP was not able to assemble these data in time for the meeting.

Eric Hलगren distributed his own analysis of what each campus would pay to UCOP under the current proposal for a flat tax on revenues and an alternative plan based on a tax based on enrollment. He said the analysis shows that under the current assessment plan, campuses with large research and medical centers would provide more revenue to the center than others without such enterprises. He asked whether a fairer system could be devised based on different tax rates to different campuses and revenue streams based on services provided by UCOP.

**Discussion:** The overall concept of Funding Streams will be implemented more or less as written. UCPB should address details such as the process and the role of the Senate and campus administrators in setting the assessment rate, and the timing of re-benching. The document does not address the process by which campuses will reach agreement about the assessment rate, nor who has authority to set the assessment rate. UCPB does not support the plan to revisit the assessment rate every three years, feeling that this is too infrequent. To the extent that increased campus activity requires increased core administration, a proportional expansion of that portion of the UCOP budget might be justified. However, in at least some instances, increased campus revenues do not require additional services from the core UCOP administration, and do not justify expanding UCOP or the budgets of centrally funded research units. UCPB strongly prefers that the assessment be set and updated based on an initial determination of UCOP's needs, in any particular year, followed by a determination of the assessment rate.

Some members challenged the characterization that medical center campuses subsidize non-medical center campuses. The medical centers benefit from their association with the University in many ways, particularly because it allows them to borrow more cheaply. It is unclear what is driving the principle behind the proposal to end re-allocation of graduate financial aid across campuses, while maintaining the exception redistribution of undergraduate aid. It was noted that funds for graduate aid, including TA-ships, are usually awarded at the department level on the basis of merit rather than on the basis of financial need.

## **VII. Consultation with UCOP**

- *With Debora Obley, Associate Vice President for Budget and Michael Clune, Director, Operating Budget*

Recent meetings in Sacramento have revealed less sympathy for higher education than hoped. The President and Regents are reluctant to propose more fee increases, and campuses need to be

clear about the drastic cuts that will come in the absence of higher fees. In March, the Regents will review a general outline of the situation and discuss options involving salaries, benefits, enrollment, and other alternatives.

UCOP's budget cut will be between \$40 and \$60 million and will be implemented according to thoroughly debated priorities. The cuts will likely be directed to centrally funded programs more than core administration. In general, UCOP wants to reduce its role in research funding, and it may shift more programs to the campuses—for example, supplemental funding to campus development activities. (While not a net budget cut, shifting a program does provide campuses with greater flexibility and would reduce the overall funding streams assessment level.) UCOP is also looking at ways to eliminate legislatively mandated research and academic programs. In the future, the Offices of General Counsel will operate on recharge. Other recharges, such as the Benefits Administration charge will continue to be assessed.

UCOP will not police how campuses manage their assigned reductions, but there will be consequences if they fail to meet their target. The campuses are divided between those who want to increase enrollment to generate revenue, and those who want to cut enrollment to state funded levels.

**Discussion:** Campuses cannot be expected to provide a quality budget plan by February 23 as requested by UCOP. Some campuses are waiting to see what UCOP will cut before they implement their cut.

The Regents should be given options that include enrollment cuts and/or tuition increases, along with long-term funding scenarios based on fee increases or enrollment cuts. Failing to enhance revenue threatens the University.

Chair Simmons asked UCPB to opine on fee increases, the net cost or benefit of enrollment cuts, and principles to guide cuts at UCOP.

**Action:** UCOP will provide a final list of all UCOP funded programs and core administration expenses so that the sum total is \$305 million.

## **VIII. Consultation with UCOP – UCOP-Funded Programs**

### **o With Provost Lawrence Pitts**

Provost Pitts joined UCPB to discuss the list of UCOP-funded academic programs being considered for budget cuts. He said UCOP is looking at a variety of earmarks, extraneous administrative expenditures, personnel cuts, and work reductions. The Senate will be asked to cut back on travel expenses by using iLinc for some meetings. UCOP is beginning the conversation about cuts with the principle that funding in support of UC's core educational mission should have priority.

The Department of Academic Affairs manages most centrally funded programs. Its five departments are Academic Personnel, Student Affairs, Educational Partnerships, Academic Planning, and Research.

- Within Academic Personnel, UC is considering cuts to the President's Postdoctoral Fellowship Program, from which UC gets a substantial portion of its faculty diversity pool.

- Student Affairs has already implemented a number of new efficiencies with the new online application ApplyUC, and a streamlined Eligibility in the Local Context program.
- In Academic Planning, EAP, UCDC, UCCS, and CDL are being considered for reductions. EAP is on a path to self-supporting status, but supplementary investment can add value if it prevents students from using outside programs. CDL can help UC centralize more library functions, and UC may combine CDL, UC Press, and UCTV into a single publishing organization. UC may need to borrow money to fund the online education pilot project if outside money cannot be found.
- Within Educational Partnerships, UC's Academic Preparation and Educational Partnerships programs (Mesa, Puente, Cosmos, CalTeach) remain untouched in the governor's budget. Some of these programs come with matching funds that UC will lose if they are cut.
- Many small research grants are being considered for cuts or elimination. The largest pools of money include the laboratory management fees, MRPI grants, Discovery Grants. The lab fee funded grants tend to be of higher quality than the Discovery Grants. VP Beckwith has initiated an external review of astronomy at UC; however, the Keck telescope is a contracted line item that cannot be cut.
- ANR operates separately and has already reorganized and cut its budget.

**Discussion:** The conversation about cuts should take into account the importance of maintaining systemwide activities. Otherwise, UC will become a collection of campuses rather than a system.

ANR should not be immune to cuts or shared governance, yet it has indicated its intention to hire more FTE in cooperative extension and has not provided useful information to the Senate about its budget. This lack of transparency can be applied to many systemwide programs, but ANR's budget is equivalent to UC Merced. Additional campus revenue generated under funding streams should not benefit the growth of central research programs.

Provost Pitts said the length of the periodic "true-up" of the UCOP assessment rate has not yet been determined. Funding Streams is intended to fund UCOP in a newly transparent and more predictable way. Many instances of "special treatment" for campuses will be eliminated with Funding Streams and re-benching. He will ask the President and ANR Director Dooley to meet and discuss the ANR budget. UCPB should schedule ANR for a future meeting.

Shawn Kantor and Gary Leal will form a subcommittee to discuss enrollment and fee increases.

## **IX. Executive Session**

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