

**University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Teleconference Meeting
January 3, 2012**

I. Consent Calendar

- Draft UCPB Minutes of December 6, 2011

Action: UCPB approved the December 2011 minutes.

II. Chair's Announcements

- *Jim Chalfant*

In December, the Academic Council approved a [letter](#) to Vice Provost Carlson summarizing the Senate's views about the proposed new APM 668 (negotiated salary program). The letter outlines a number of significant concerns the administration would have to address before the Senate could consider another version. Council also appointed a small work group to draft text for a possible Senate position or Memorial to the Regents regarding State funding, revenue, and/or specific ballot proposals, for Council's consideration and possible adoption in January.

Berkeley [announced](#) that it plans to implement a new financial aid program intended to benefit middle class families. Many are applauding Berkeley's efforts, but others are concerned that the plan could place less well-resourced UC campuses at a competitive disadvantage.

The President's Budget Rebenching Task Force meets tomorrow and will be reviewing models of rebenching plans proposed by UCOP and the UC Irvine executive vice chancellor. The UCOP plan would transfer most of UC's centrally funded earmarks to the Funding Streams assessment model, distribute \$163 million of State funding freed up by the plan to campuses on the basis of a new weighted per student allocation formula, and increase the campus assessment rate to about 2.5%, to cover the cost. The Irvine proposal focuses only on the campuses with the lowest funds per student, and uses "new money" to bring them closer to parity.

In the coming days and weeks, UCOP is expected to send UCPB an updated business plan for the UC Online Education project, and LBNL will release a scaled down plan for funding its proposed second campus.

III. Student Budget Campaigns and Proposals

- *Erik Green, Graduate Student Representative*

The [Teach the Budget](#) campaign is a systemwide effort originally developed at UC Santa Cruz. It aims to inspire activism by informing UC students about the budget crisis and cuts to higher education. The [curriculum](#) is designed to be presented in ten minute segments by professors and/or students in classrooms. The campaign needs participation and buy-in from UC faculty to be successful.

The UC Student Investment Plan was developed by members of a UC Riverside student newspaper editorial board. The Plan would eliminate up-front tuition and the current financial aid system and require UC graduates to pay 5% of their income to UC for 20 years. Current Blue and Gold plan members would be the initial population to put money into the new system upon graduation. They would do so until enough capital was generated to allow all UC students to attend UC tuition free. The Plan's authors predict that revenue generated from the Plan would eventually exceed revenue generated through tuition. They argue that students acquire debt based on the expectation of theoretical income after graduation, and that it is fairer to tie the cost of education directly to real income.

Discussion: It was noted that the Senate would be unlikely to support some elements of the Teach the Budget curriculum – for example, allegations of pension mismanagement; however, it would be appropriate for UCPB members to take the document back to local committees as information. It might be more effective if the curriculum was divided into a facts-only section, and a call-to-action section tailored to different constituencies.

Several concerns were expressed about the Student Investment Plan: that the poorest alumni would be seeding the Plan; that students would be paying vastly different amounts of money for the same education; that new school teachers, for example, would be less able than others to afford to pay back 5% of their salary; and that it would further remove UC from the Master Plan. The Plan could, on the other hand, help start a conversation about useful new approaches to financial aid—for example, giving students more access to support for living expenses from State or foundation sources. It was recommended that UCPB follow the development of the plan and consider commenting in the future, if asked.

It was noted that there are 192 individuals in the UC Senior Management Group (SMG).

IV. Proposal to Convert UCLA Anderson's Full-time MBA Program from State-Supported to Self-Supporting Status

CCGA has asked UCPB for feedback on UCLA Anderson School of Management's proposal to convert its MBA program to self-supporting status.

Chair Chalfant noted that the proposal appears to allow UCLA to retain State funds for Anderson students who, as students enrolled in a self-supporting program, would no longer be considered State funded. That arrangement is inconsistent with the proposal for funding campuses under rebenching. UCLA should not receive State funds for students who are not considered state funded.

UCLA representative Lopez noted that there is a growing recognition that UCLA would lose money under rebenching as students are no longer considered State supported. The UCLA CPB considers the key question to be whether the action regarding Anderson should be limited to the MBA program or be a model for all professional programs at UCLA.

Discussion: It was noted that the Anderson School depends on the UCLA brand to generate revenues and should contribute appropriately to the general campus for that right. There was concern that the conversion is being driven by economic self interest rather than academic planning priorities, and that it undermines the core mission of the University.

It will be difficult for UCPB to evaluate the conversion without more information about the cost to the general campus, and since many other professional schools may attempt their own conversions in the near future, UCPB should not respond to the Anderson proposal without considering more general principles regarding such conversions and the future of professional education under rebenching.

It is also important to consider Anderson's need to compete in a global context, the growing similarity between the UCLA MBA program and its Executive MBA Program, and a general bias against MBA programs that exists on campus; some consider them to have less social utility than other academic programs. In particular, would the Anderson proposal be appropriate for other MBA programs in the UC system?

Action: A small UCPB subcommittee will review the proposal, and the committee will discuss again in February.

V. Consultation with UCOP

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

The LAO has projected a \$13 billion structural State budget deficit for 2012-13 as well as a budget shortfall for the current year, which requires the implementation of most of the mid-year trigger cuts to State programs, including an additional \$100 million reduction to the 2011-12 UC budget. The State is treating the trigger reduction as a permanent budget cut, although the cut could possibly be restored as the legislature deliberates on the 2012-13 budget.

UC continues to work with the Governor and legislature to craft a UC budget that addresses the University's needs but also recognizes the State's difficult fiscal situation. UC has had fruitful discussions with the director of finance and others regarding funding priorities, including the need for the State to fund UCRP. UCOP will return to the Regents in January with details about which elements of the Regents' approved expenditure plan the State is likely to support, other revenue options, and trade-offs. The Regents are expected to approve a final budget in either March or May.

The Governor has proposed a November 2012 ballot initiative to raise \$7 billion in new revenue through a temporary tax increase on upper income brackets and a temporary sales tax increase. The proceeds will primarily benefit K-14 education. There are at least three other developing ballot initiatives designed to raise revenue sponsored by other organizations, including a "[Millionaire Tax](#)" that would raise taxes on very high income and direct a portion of the revenue to UC. (The UC Students Association has endorsed this latter proposal.)

Vice President Lenz said he is concerned about some of the details of the initiatives, and their real commitment to stable, predictable funding for higher education over time. The initiatives do highlight the fact that California has a revenue problem, not just an expenditure problem, and it is possible that UC could reach a consensus about which, if any, initiative to support in November.

The Governor has proposed an ambitious pension reform plan. UC continues to work to inform the Administration about the University's own progress on pension reform, including aspects of the Governor's plan that UC has already implemented.

VI. External Review of UC Observatories/Lick

Action: The committee approved the draft UCPB memo.

VII. Consultation with UCOP Budget Office – Rebenching

- Debora Obley, Associate Vice President for Budget
- Clifton Bowen, Assistant Director, Budget & Capital Resources
- Elisabeth Willoughby, Principal Analyst, Budget & Capital Resources

UCPB reviewed models of rebenching proposals from UCOP and the UC Irvine executive vice chancellor. Both appear to propose moving all centrally funded set asides to Funding Streams and increasing the campus assessment rate from 1.6% to about 2.5% to cover the \$160 million cost. (It is not entirely clear what the Irvine proposal would entail, nor what specific perceived flaw in the UCOP plan the Irvine proposal targets.) The money freed up would be distributed to campuses for general fund purposes in a way that gradually equalizes allocations until a more equitable base is achieved, with different weightings proposed for three types of students. The Irvine model assumes \$20 million in new State funding will be available for rebenching. The models arrive at a \$6,324 cost per weighted student.

AVP Obley said the main issues continue to include whether to rebench existing base budgets or rely on “new money,” the timeframe for rebenching, weighting for Ph.D.s, and the willingness of campuses to pay a higher Funding Streams assessment rate. She expects refinements to the model to emerge from the January 4 Budget Rebenching Task Force meeting and hopes there will be a clear direction set at that meeting for the future of the project, in time to make a final decision in March and establish 2012-13 as the first year of implementation.

UCPB members noted that \$6,324 is far less than the State subsidy campuses require to enroll more students. The models calculate the average per student State subsidy based on what the State provides, divided by the existing number of students, rather than what is needed to educate a student at a UC level of quality, suggesting that there are no unfunded students, which is what the Senate has advised against. It is critical to define the real cost of a funded student. Moreover, a campus that does not take a funded resident will give up only \$6,324 under this model. It will be financially very advantageous to displace such a student with a non-resident, undermining enrollment management at the systemwide level.

She said UC has asked the State for about \$10,000 per student at the 2007-08 pre- budget cuts level, and using this formula, UC currently has about 24,000 unfunded students. UCOP does not believe it is plausible to educate a student for \$6,324. She envisions a centrally managed enrollment process with targets given to each campus based on the current budget and a discussion about how to treat unfunded students. She spoke in favor of continuing to curtail enrollment in response to State budget cuts, but said she believes the State will restore enrollment funding in the future, and UC should not make decisions that either prevent the State from restoring funding or eliminate the need for it to restore funding. She emphasized that rebenching is about State dollars, not total resources available to campuses.

It was noted that UCPB needs a clear, agreed upon definition of “budgeted enrollment,” “funded student,” and other terms, a clearer understanding of how UCOP calculated the \$10,000 per student figure, and a way to calculate the true number of unfunded students. It was noted that Berkeley is cutting its residents, and a resident denied admission there may decide not to go to UC at all, but is also likely to accept an offer from another UC campus. Other campuses have to have the funding to accommodate funded residents displaced by Berkeley.

It was noted that there is no “new money” generated by the plan, and some campuses believe that they are not free to tax revenues from auxiliaries and medical centers to fund their systemwide assessment. In addition, it is not clear that the amounts shown for Cooperative Extension and Agricultural Extension stations included in the spreadsheet as earmarks for those campuses with CE and AES funding are correct.

Nevertheless, the model is a key first step in rebenching. It takes state money from campuses according to an agreed upon formula and redistributes it according to a not yet agreed to formula. There has to be an element of redistribution to address the current inequities. UCOP should consider raising the assessment rate even higher to generate money for rebenching.

Although the State no longer seems interested in honoring the Master Plan, UC should still do its best to honor its obligations to the State and its students.

The meeting adjourned at 1:30 pm
Minutes prepared by Michael LaBriola
Attest: James Chalfant