

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Teleconference Meeting
May 3, 2011

I. Consent Calendar

- Approval of the April 5, 2011 UCPB Minutes

Action: UCPB approved the April minutes.

II. Announcements and Updates

- *James Chalfant, UCPB chair*

The Academic Council voted to forward an excerpt from the Implementation Task Force draft report related to enrollment and rebenching to the President's Budget Rebenching Committee. Council also endorsed in principle the Task Force's general recommendations for allocating state funds for undergraduate education, particularly the concept of a uniform state subsidy across campuses for every funded undergraduate. The Rebenching Committee meets again on June 1.

UCOP is preparing several 2011-12 budget simulations and a five-year budget plan based on different state funding scenarios, including an "all-cuts" 2011-12 budget. The five year plan assumes regular increases to the state base budget and to student fees. The Regents will review the plan in May, along with a budget for UCOP.

Council approved guidelines drafted by CCGA for Graduate Councils and Committees on Planning and Budget to use in reviewing proposals for new Self-Supporting graduate degree Programs and new proposals to charge Professional Degree Supplemental Tuition. The Academic Planning Council has approved new language for Self-Supporting program policy that reflects comments from CCGA.

The President wants the Senate to issue a statement about increasing faculty teaching workload as one possible response to the budget crisis. Chair Chalfant asked UCPB to discuss this in June.

Senate Chair Simmons said the Council is preparing a statement about the UC Online Education Project. He has also asked Senate divisions and committees for a quick turnaround review of the Project Plan. Some faculty are concerned about the changing goals of the project and a new financial model that relies on borrowing and attracting significant numbers of non-UC students. UCEP is creating a model for campus review of online courses.

III. Consultation with UCOP: Budget Briefing

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

Vice President Lenz: The Senate Budget Committee and Governor have been holding public meetings around California to inform various constituencies about the state's budget and revenue

options, and the implications of an “all-cuts” budget for a host of programs and services. President Yudof will represent UC at a hearing in Silicon Valley this Friday.

State tax revenues may be larger than predicted and could help reduce the overall deficit, but UC will probably retain its original \$500M cut. The Governor is preparing his May budget revision. It may include a September or November ballot initiative proposal and a Plan B budget to complement either timeframe. Such a plan will likely have to include additional cuts to make up for the loss of tax revenue from tax extensions expiring in July. The State Senate will respond with its own budget proposal in mid-June, and UC will likely know its final fate by July. That timeframe may allow the Regents to act on a long-term plan for fiscal stability at their September meeting.

The Regents have asked UCOP to provide options for managing the \$500M budget cut as well as any additional cuts the state may impose on the University after the May revise. An additional \$500M cut would certainly force UC to raise tuition, but an additional 32% fee increase in fall 2011 would only recover 90% of the additional \$500M reduction, and a mid-year fee increase of that size would only address \$232M. UCOP is working with campus chancellors to develop one-time bridging options to meet shortfalls in the event that additional state fund reductions exceed cannot be covered by a mid-year fee increase.

Discussion:

- Some believe the state (and UC) should demonstrate the consequences of not funding higher education by targeting programs that benefit Republican districts. Others do not think it would be effective to do so. Moreover, UC should not entertain the possibility of closing campuses or do anything to encourage politicians who may threaten as much for political gain. Closing UC Merced, or any UC campus, will not save money.
- Chair Simmons said it has always been Senate policy that UC Merced should have the same opportunity to become a full fledged research university. UC risks splitting apart the UC system by adopting policies that give more flexibility to campuses with regard to fees, faculty salaries, and enrollment targets.

IV. Consultation with UCOP: Online Pilot Project

- *Daniel Greenstein, Vice Provost, Academic Affairs*
- *Lawrence Pitts, Provost and Executive Vice President*

Vice Provost Greenstein envisions the online education pilot project as a broad-based evaluation of the effectiveness of online instruction at UC, focused on high enrollment lower division courses. The 29 courses selected for the initial pilot represent a broad range of disciplines.

UCOP secured a \$748,000 grant from Next Generation Learning Challenges (funded by the Gates and Hewlett Foundations), but has not yet been able to raise the full amount it estimates will be needed to fully fund the project. (Some funding agencies do not see UC’s project as a good fit for their goals, which tend to emphasize the community college pipeline.) UC now plans to borrow up to \$6.9M from the Short Term Investment Pool, which it expects to pay back with revenues generated by the online courses.

The project also provides an opportunity to build a common online learning infrastructure that can foster resource sharing and produce efficiency in developing campuses educational technology infrastructures. The present variety in those infrastructures is felt to be financially unsustainable in the long term. A common framework would save money and allow campuses to share educational technologies and leverage existing capacities more efficiently. UCOP has initiated an RFP process to source the learning environment. The goal is to integrate the platform with all existing systems and to make the transition to the new framework as seamless as possible.

The project is not intended to develop or become an “11th campus” or a revenue generating mechanism, but it should be self-sustaining. Cost and revenue projections are conservative. They envision support for 40-50 lower division courses that can be refreshed every 3 years and the associated infrastructure necessary to support instruction. The estimated average cost of each course is \$75K, and all estimates are based on work already underway at UC campuses and at comparison institutions.

The *pro forma* bases revenue estimates on current tuition pro-rated per credit hour. It estimates that revenues will meet costs when 5,400 non-UC students each take one course in a given year. Repayment of the \$6.9M loan will be achieved when 7,100 students each take one course. These are not large numbers when you consider the number of students UC already serves online. The project is also an opportunity to expand access to underserved communities. UC students would not pay an additional sum to take an online course except if it were taken as part of a summer session.

UC aims for a January 2012 launch for some courses, and hopes to meet the initial enrollment targets by September 2012. The loan made to the project with zero interest will be drawn upon only as required. It has several measurable milestones and “exit points” at which the project’s success will be reviewed. For example, this summer UC will be employing a market research firm to study the potential demand for the courses. UCEP is discussing the course approval process for online courses in the pilot project.

There are two copyright options; in both, the faculty member who develops the course holds the rights in accordance with UC policy. In one regime, course materials are made available open access and there are no restrictions on the use (including commercial use) that may be made of them by third parties, provided that course author is attributed in all subsequent use. The other prohibits commercial third party use.

Discussion: The goals of the program are constantly evolving and morphing. On the one hand, the project contemplates offering a core set of courses for non-UC students to prepare for transfer. On the other hand, it envisions developing for-credit courses to undergraduates at all nine campuses. The sooner the goals are clear the better.

Finalizing details about the course approval process is more important for the project to proceed than implementation of the common learning platform. There was a request for more information about the goals and principles of the Creative Commons project. The Senate should comment on the actions UC should take if it fails to meet the benchmarks and achievables.

V. Consultation with UCOP

- *Nathan Brostrom, Executive Vice President, Business Operations*

Financial Aid: UCOP is modeling the impact of long-term tuition increases. UCOP is concerned that although the Education Finance Model helps temper the impact of tuition increases on lower income students, middle-class students still bear the full brunt. One idea is to extend financial support further into the middle class (household income between \$80K and \$120K) by providing 50% tuition and fee relief to students in these ranges. To make such a plan feasible, the required return-to-aid from tuition would have to rise to at least 36%. Campuses would provide the equivalent of 29% from return-to-aid or other sources, and the University would contribute the other 7-8%, raised from yet-to be determined sources like corporate fundraising and endowment income. UCOP will bring a more fully developed proposal to UCPB in June.

Endowment Payout policy: UCOP is reviewing options for generating more unrestricted revenue from restricted assets. One idea is to increase the endowment cost recovery basis from 45 to 55 basis points. The President does plan to recommend such a move to the Regents in May. Other options will be more controversial and complicated. They include increasing the tax rate on endowments usually used to support the cost of fundraising to support other university purposes. Another possibility is to charge an overhead cost on endowment income.

UCOP Budget: In May, the Regents will review \$50M in proposed cuts to UCOP-funded academic programs and central administration. UCOP is also asking the state to remove all explicit and implicit earmarks from the statewide budget, which will create \$30M in “savings,” by returning budget decisions about those earmarked programs to the campuses. The effect of the cuts will be to reduce the unrestricted UCOP budget from \$330M to \$280M and the campus share of the \$500M cut to \$420m. He noted that an 11% reduction is being proposed to UCOP’s general administration budget.

Discussion: The Senate will need to review the endowment payout proposals, particularly the impact of potential policy changes on endowed chairs, faculty research, and graduate education. There was also concern that the proposed increase in the payout from endowments does not take into account years with zero or negative returns or the need to maintain the purchasing power of the endowments going forward. An overhead charge is a slippery slope and such temporary charges are likely to become permanent. There is a risk that this could hurt donations.

VI. Online Pilot Project

The Academic Council plans to issue a statement on the online pilot project and will continue to discuss the implications of the new financial model at its meeting on May 25. Council requests comments on the Project Plan by May 18. On May 16, Chair Simmons, Vice Provost Greenstein, Dean Christopher Edley, Chair Chalfant, and UCEP Chair David Kay will meet to work through some of the technical and policy questions that are still pending.

Discussion:

- There were concerns about the project’s shifting focus and priorities, and about implementing a new internal borrowing plan in the middle of a financial crisis. The Senate should monitor the schedule of milestones. UCPB should be consulted about each achievable, and should follow and evaluate the project’s progress toward economic sustainability. UCPB also should look carefully at the market research results.

- The faculty who have courses in the program should be treated fairly. We know the courses are high quality and should separate that from the concerns and the process going forward.
- There is a risk of a first mover advantage – a course could gain momentum and become the lower division course for the whole system.
- The standardization of IT services means that someone besides faculty is making decisions about the learning environment, although there are large economies of scale to be realized through uniform IT software and a common system does not preclude faculty control over the education being delivered.

VII. Re-benching

The Academic Council has endorsed the concept of a common state subsidy for all funded undergraduates across the system up to enrollment targets. There is some support for defining average cost of instruction as a blended cost of undergraduate and graduate instruction. The blended model avoids a complicated weighting system and does not draw attention to the cost of Ph.D. students.

Discussion: Some members supported the blended average cost concept and others opposed it. Some thought UC should be explicit about the fact that 50% of state funding supports research, that the state benefits immensely from faculty research, and that if the state wants undergraduates taught by research faculty, it has to pay for research faculty. Incorporating an explicit percentage of graduates into the funding formula would help communicate that and give campuses an incentive to increase graduate education. It would be helpful to review objective data detailing the cost of training a Ph.D. compared to an undergraduate. In addition, rebenching should primarily be an internal process; UC should not feel obligated to educate people outside the University about the details.

 The meeting adjourned at 1:15 pm
 Minutes prepared by Michael LaBriola
 Attest: James Chalfant