

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
January 8, 2013

I. Measures of Quality

The 2013-14 UC budget plan proposes a [multi-year reinvestment](#) in the University's academic programs based on several well-established measures of quality. The Provost has asked the Academic Council to provide input into these choices, as well as the most appropriate metrics that demonstrate whether quality is at risk or might soon be at risk, and how to measure whether new investments are paying off. The 2012 [UC accountability report](#) includes 128 indicators intended to measure quality, including several related specifically to [faculty](#). Chair Minster asked UCPB to consider important quality indicators that relate to planning and budget issues. He noted that the passage of Proposition 30 does not guarantee UC a stable funding future; the case for sustainable, long-term funding still has to be made.

Discussion: Members noted the importance of focusing on the quality of faculty, the quality of students, and UC's contributions to the community. It would be useful to track data related to the value of a UC degree and the return on investment in students as evidenced in their post-graduation activities—both the jobs they obtain and their leadership presence in the community—which demonstrate how the tools students receive at UC empower them to contribute to their community after graduation. The quality of the faculty is key to these outcomes, but there is no simple metric that can link them. It is also important to note that in any given year UC provides a quality education to a much larger number of students than the elite private institutions. It was noted that there are both benefits and risks to arguing that quality has been hurt. For example, it may be harder to argue for more funding if it appears a higher student-faculty ratio has had no impact on quality. It was also noted that value is at risk even if quality remains high.

Regarding the accountability report, it was noted that the report measures things that can be measured and not necessarily things that are important to measure. It was noted that the [student-faculty ratio](#) reported there includes graduate students and all instructors; there should be a separate listing for undergraduates and ladder-rank faculty. It was noted that average class size, which has been rising, may be a more meaningful measure of UC's changing situation, along with data on faculty separations.

Action: Three UCPB members will draft a brief discussion about three to four major quality criteria that should impact planning and budget and long-term enrollment.

II. Financial Aid Overview and Alternative Models Under Discussion

- *Kate Jeffery, Special Assistant to the Executive Vice President*
- *David Alcocer, Interim Director, Student Financial Support*

Issue: UCOP consultants provided an overview of the University's financial aid programs and reviewed new alternatives for modifying UC's financial aid funding strategy to increase its sustainability in the context of UC's current funding situation.

Report: UC's primary systemwide financial aid goal is to ensure financial access, so that all admitted students can afford to pay for a UC education regardless of family income, and that family income does not affect a student's choice of campus, major, or educational experience. (The accessibility of the financial aid system is distinct from its competitiveness and perceived affordability.) Historically, UC's financial aid system has been independent from enrollment targets, meaning that financial accessibility is need-based, while admissions decisions are need-blind. UC is committed to financial access for all admitted undergraduates, including nonresidents, although UC offers financial aid to nonresidents only on the in-state portion of their tuition, not on nonresident supplemental tuition.

By many measures UC is financially accessible—for example, it enrolls a high and growing percentage of low-income students compared to other selective institutions. On the other hand, the proportion of middle-income students is declining, although this decline may correlate more closely to broader population changes, not the University's financial accessibility. UC also tracks data on student/parent borrowing and debt at graduation, which show a trend toward higher debt among middle-income students.

UC's current financial aid goals are expressed through the Education Financing Model (EFM), a formula that establishes expectations for meeting the total cost of attendance through a parental contribution based on their "ability to pay," and a manageable level of student part-time work and borrowing (self-help). UC fills in the remaining need gap with aid from UC Grants, after Pell and Cal Grants have been applied.

The EFM uses a cost of attendance benchmark that is based on average spending across all undergraduates and a parental contribution benchmark that is based on the federal government's need analysis methodology. The parental contribution for the lowest income group is nil, and that contribution rises rather steeply with income levels. Parents making between \$90k and \$110k are expected to pay 17%. The student self-help expectation is based on 6-20 hours of part time work per week with a midpoint goal of 13 hours per week, and a loan repayment schedule that does not exceed between 5% and 9% of post-graduation income over a ten-year period. There is evidence that exceeding 20 hours of work per week can affect academic performance. A high proportion of students report that they do not work at all during the academic year.

UC places 33% of revenue from any in-state tuition increase into a systemwide return-to-aid pool, and awards UC Grants to needy students from that pool. However, projections show that the funding available for grants from return-to-aid will soon be inadequate to meet the EFM's requirements. One option for addressing the problem is to refine the methodology for determining the parental contribution by developing an alternative needs analysis formula that provides a more accurate view of parental resources than the federal formula, which does not take into account all aspects of wealth. Another option is to increase student borrowing and/or part time work expectations, in a way that is still manageable for the student—for example, basing loan repayment on a 15-year schedule instead of a 10-year schedule. A third option is to raise tuition to increase the amount of return-to-aid available for grants for low-income students.

Each option involves tradeoffs. If UC wants to follow through on its goal to expand financial accessibility further into the middle class, it will need more funding for UC Grants, which will require more tuition revenue; it will need less funding only if a decision is made to increase the expected parental or student contribution.

UCOP is finalizing a comprehensive proposal for revamping UC's financial aid strategy that will be ready for review in a couple of weeks.

Discussion: The student representative noted that middle and higher income student families are not in a position to absorb a tuition increase, even though this might be structured to benefit lower income students. Alternative options would be welcome. There was concern expressed that asking a small number of higher income families to provide additional grant support for lower income students would create resentment and could drive them away from UC to other institutions. It was noted that a "high sticker price" (in the sense of total cost of education) could also act as a disincentive to lower income families.

III. Consultation with UCOP

- *Nathan Brostrom, Executive Vice President, Business Operations*
- *Debora Obley, Associate Vice President for Budget and Capital Resources*

Rebenching

On Thursday, the Governor will release his 2013-14 budget proposal, which is expected to include revenue enhancements for education. This new funding will make it possible for UCOP to implement a second year of rebenching. The Senate is invited to provide input into the most appropriate options. This year, UC was able to implement only \$17 million of the \$37 million annual rebenching target due to the small pool of new state money. One option for 2013-14 is to catch up by rebenching with the full \$37 million, plus some or all of the remaining \$20 million from this year. Another option is to amortize the total remaining balance over five years.

Enrollment Management

UCOP will send an enrollment plan template to campuses after the release of the Governor's budget. The success of rebenching will depend in part on the establishment of clear campus-by-campus projections for resident undergraduate, graduate, and health sciences students that can serve as a basis for allocating state funds. Under the plan being considered, campuses that do not meet their resident enrollment target within some margin of error will face a penalty.

Discussion: A UCPB member recommended that UCOP gather more data regarding the long-term reliability of the domestic nonresident applicant market. EVC Brostrom noted that UC has exceeded nonresident applicant projections and expects demand to remain strong on all campuses.

UCRP Contributions

The Regents have approved an increase to the current 10% employer/5% employee UCRP contribution rates to 12% and 6.5% in July 2013 (new employees will contribute 7%). At that time, funding will exceed the 17.8% normal cost and allow UC to begin chipping away at the unfunded liability. An actuarial report scheduled for November 2013 will help the Regents set future contribution rates, which are not expected to ever exceed a maximum 8.5% rate for employees (although it should be noted that this figure is rather higher than the 7% figure featured in past discussions between UCOP and the Senate committees) The 2013-14 UC budget also proposes a 3% salary increase to help address the rise in employee contributions.

UC Path

The first phase of UCPath is a new systemwide payroll system that is expected to go live at three campuses on July 1, pending successfully testing. Campuses will not lose any payroll services if a decision is made to push back implementation to October.

IV. Consultation with UCOP

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

The Governor's 2013-14 budget proposal projects the elimination of a \$26 billion structural deficit the governor inherited two years ago. The budget will propose a multi-year funding plan for UC that is tied to the implementation of certain reforms and the achievement of educational outcomes. UC is making plans to teach and inform the 39 incoming legislators about the University, its needs, and its ongoing efforts to reduce costs. An informational [session](#) about online education was added to the Regents' January agenda after the Governor expressed interest in new educational technologies and their potential to reduce costs. The faculty will be instrumental in communicating their views on issues such as faculty workload, salary competitiveness, and online education.

V. Consultation with Academic Senate Leadership

- *Bill Jacob, Academic Senate Vice Chair*

Composite Benefit Rates

UC continues its negotiations with the U.S. Department of Cost Allocation to allow an additional rate for summer salary as part of the new composite rate billing system. UC is also working with the consultants to arrive at a correct estimate of revenue that would be charged to grants for summer salaries in the proposed scenario.

The January Regents item on online education will discuss the large number of for-credit online courses already available on the campuses to both graduate and undergraduate students, as well as an update on the UCOE pilot project, and other online activities. Discussion will also touch on future directions and introduce a note of caution about the cost-savings potential of online education.

In January, the Academic Council will discuss a request for UCOP to conduct a new total remuneration student that focuses on faculty and non-represented staff.

VI. Member Items

Members noted some priority issues for continued UCPB discussion. These include enrollment planning; financial aid; UC Path and composite benefits; nonresident enrollment in the context of the market, and in the context of the disproportionate ability of campuses to recruit them, funding streams and how revenue is spread around the system; the need to distinguish between education and the mere transfer of information in discussions about online education; and an update on the Office of Research Portfolio Review Group (PRG).

Meeting adjourned at 1:00 p.m.

Minutes prepared by Michael LaBriola

Attest: Jean-Bernard Minster