

**UNIVERSITY COMMITTEE ON PLANNING AND BUDGET
ANNUAL REPORT 2006-2007**

TO THE ASSEMBLY OF THE ACADEMIC SENATE:

Under Senate Bylaw 190, the University Committee on Planning and Budget (UCPB) is charged with advising the President and appropriate agencies of the University administration on policy regarding planning and budget matters, and resource allocation in accordance with the Standing Orders of the Regents. This is an especially critical charge in this decade: public universities are under budgetary siege nationwide, and most have not developed the planning capacities that allow them to preserve the original vision of the highest quality education for the broad public majority. UCPB's job is to help the University maintain and continuously enhance both cutting-edge and core operations in a turbulent environment.

In recent years, UCPB has sought to provide the Academic Council and the Assembly of the Senate with independent, research-based evaluations of selected planning and budgetary issues within its purview. The "Futures Report" on UC budgetary trends is the leading example, and UCPB has tried to create an evidentiary base for budgetary matters that would inform Senate opinion on overall budgetary trends and related issues. The goal is to supplement the Senate's function of reviewing material proposed by the University's administration with the capacity to form independent judgments about the University's direction, helping the Senate to be a proactive partner in shared governance.

UCPB held the eight meetings allowed by the Senate budget during the 2006-2007 academic year. It is the Chair's opinion that nearly all of these meetings were exceptionally lively and interesting, and exposed a wide range of consultants - including a member of the Office of General Counsel, the Boalt Law School Dean, and Charles Schwartz, noted budget and policy analyst and watchdog - to vigorous challenge and debate from committee members, and vice versa. The result was a series of position memos that had a positive impact on the quality of the Senate's overall position and influence. The Chair thanks all participants for their intellectual energy and for their commitment to getting to the truth of the matters at hand.

This report outlines UCPB's main activities, starting with an overview of the committee's two major domains.

University Budgeting. Like CSU and other public universities around the country, the University of California has suffered from repeated rounds of funding cutbacks that have left its public funding base about 1/3 below levels considered normal fifteen years ago. These cuts have been particularly hard on core operations - those that support general undergraduate and graduate education - which cannot be sustained at traditional levels of quality through federal grants or philanthropy.

UCPB's chair asked the Academic Council to endorse the committee's "Futures Report," which entailed acceptance of the report's chief findings: that the Compact does not restore the "Core UC Budget" to its 2001 growth pathway through recovered General Fund expenditures, but only through repeated fee increases. The Council endorsed a UCPB resolution that identified a \$1.1

billion gap between 2001 Pathway funding and actual funding, and Chair Newfield along with Council Chair Oakley presented these findings to the Regents.

Although several Regents expressed interest in a new campaign for public funding, neither OP nor the Regents consider public funding augmentation to be a political possibility. Nor has UCPB's claim that only augmented public funding will restore quality to core operations - though never refuted as such - come to have any evident part of OP or Regental strategy deliberations. No plans seem to be underway to seek increased public funding in coming years, although UCPB has shown that the only alternative, if the University budget is even to tread water - is major fee increases that may well change the nature of the public university. Less ambitious programs have been proposed that will have a positive but limited effect -- Regent Blum and UCB Chancellor Birgeneau's public-private partnership for a scholarship fund is one example. UCPB feels that budgetary solutions should be sought that are on a scale suited to the actual budgetary problem. We wish to help University leaders avoid the temptation to protect and improve selected programs and units while leaving the quality of general operations to the vagaries of state budget politics.

University Planning, Shared Governance, and Senate Effectiveness.

The University of California is an extremely complex, multi-divisional institution that ranges from liberal arts departments with seven faculty members to city-sized medical complexes and Department of Energy laboratories. Its scale and scope may have evolved beyond what the Office of the President, in spite of generally excellent staff, can effectively manage. These management obligations are legion, and one cost, beyond a very large administrative budget, has been lack of an effective, coordinated planning function. UCPB was surprised to learn that the University does not engage in multi-year budgetary planning. One result is that UCPB's "Future's Report" appears to have had no counterpart anywhere in the Office of the President, one that would track the impact of the Compact and other budget scenarios on university operations in the short and medium-term. A similar situation likely exists in other domains, such as capital projects. It is UCPB's fervent hope that OP's planning and strategy functions, particularly regarding the budget, be greatly enhanced in the immediate future.

The Senate's impact on OP priorities is also far from clear. The limited impact of the Futures Report has already been noted. A second example involves OP less directly, and that is the Regents plan for "slotting" the position of the Senior Management Group. The Senate has spoken repeatedly, with unified clarity, and with solid, systematic empirical evidence, against several central features of this plan, but these features, though renamed, have remained in the latest iteration of this proposal. A final example is President Dynes' statement of his priorities for his final year in office, which, with the exception of a phrase about salaries, does not endorse or even mention a single major Senate priority. Although the Senate rectified some significant problems through rapid action (as about the "Talx" online tax preparation system), the Senate's voice on major components of the University's successful operations needs enhancement. This enhancement will also require the Senate to improve its own internal communications and analyses, particularly in areas where shared governance is particularly weak, as in the case of relations with the new partnerships that manage the Los Alamos and Livermore laboratories.

UCPB notes that organizational changes at the Office of the President have left the committee without regular high level consultants in the areas of enrollment planning and academic

initiatives for the last two years, and have created occasional confusion and obstacles to gaining information. We anticipate that once major organizational lacunae at OP are filled, UCPB will again have a complement of OP senior manager consultants that reflects all planning and budgetary matters.

ISSUE SUMMARIES:

The University Budget

UCPB received monthly updates from its consultants regarding the status of the state and federal budgets and their impact on the University budget, student fees, financial aid, enrollment, capital outlay, and faculty and staff salaries. UCPB also advanced the following initiatives:

Budget Priorities. In October 2006, UCPB submitted a set of draft budget recommendations to the Academic Council based on the conclusions of the committee's "Futures Report" of the previous year (see below). UCPB prioritized three areas for increased support that also aligned with the Regents' top priorities: 1) faculty salaries; 2) graduate education; and 3) improving the student-faculty ratio (a proxy for overall educational quality). UCPB urged that a calculation be done of the cost of achieving these priorities, that adequate state funding for UC be restored and sustained, and that student fees be kept at the level of inflation. These committee recommendations served as a basis for the Academic Council's "[Safeguarding the University's Future: A Resolution of the Academic Council on Returning UC to a Sound Fiscal Basis](#)" that was forwarded for transmittal to the Regents in January 2007, and which requests that specific steps be taken for restoring UC's financial base and establishing a shared basis of understanding among the Regents, the Administration and the Senate for attaining immediate and long-term budget goals.

UCPB "Futures Report". The UCPB report "*Current Budget Trends and the Future of the University of California,*" which was completed and made public last year, was adopted by the Academic Council. The report assesses the long-term implications of the Higher Education Compact with the Governor, and of three other budgetary scenarios involving varying degrees of state and private support. The report grew out of UCPB's concern that the current trend of reduced state support for UC is leading to a possibly irreversible decline in the scope and quality of the University. UCPB Chair Newfield presented the findings of the report on several occasions to Academic Council, and then presented the report to the UC Regents with Council Chair Oakley at the Regents May 2007 meeting.

"Futures 2: Expenditure Report" Chair Newfield drafted an outline of a report that would show the cost of meeting the Regent's stated priorities (competitive faculty and staff salaries, an improved student/faculty ratio, infrastructural remediation, graduate funding increases, among others).

UC Merced Funding: UCPB's Merced representative made two presentations about the ongoing funding shortfalls at UC's newest campus. Our preliminary assessment was that the campus faces structural funding problems that its current formula will not allow us to fix. This work was not completed before the end of the year, and we expect further work on this matter in 2007-08.

Faculty Salaries

In the series of discussions held this year revolving around faculty salaries and the faculty salary scales, UCPB maintained a central focus on securing the support required to meet a peer-level payroll. UCPB Chair Newfield served on a joint Work Group (see below) charged with looking at data on off-scale salaries across campuses and the overall competitiveness of the salary scales. The group was asked to make recommendations to President Dynes on achieving a competitive faculty compensation structure while retaining a rigorous post-tenure review system.

“Synopsis of the Present Status of the UC Merit and Promotion System and Principles of and Policy Recommendations for UC Faculty Compensation.” UCPB’s comments of this UCAP report supported the option of structuring the faculty salary scales as a set of ranges, and advised that the creation of any specially structured compensation be limited to those disciplines that are so radically “decoupled” from the normal scale that they cannot be remedied by bringing faculty salaries up to competitive levels.

Recommendations of the President’s Work Group on the Faculty Salary Scales. This joint administrative/Senate group, which will continue its activities into next year, formulated a preliminary plan for raising faculty salaries and restructuring the faculty salary scales. The plan was not put into a formal proposal but was presented to UCPB in the committee’s consultations with Provost Hume and Vice President Hershman. UCPB submitted comments on the plan to the Academic Council, recommending a shorter two-year implementation period and advising against a proposed funding approach that would reduce COLAs in order to fund range adjustments. UCPB also made a number of specific suggestions on modeling the proposed changes in a way that would provide clear and full information to the faculty at large in a fully developed proposal.

As an initial step of the salary scales plan, the work group proposed changes to APM620 – Policy on Off-Scale Salaries that would remove language making off-scale salaries exceptional and would re-define the salary scale as a series of ranges rather than points. UCPB agreed with the work group’s overall intentions of making faculty salaries competitive and of re-validating the salary scale, but objected to the elimination of limits on off-scale salaries and found unacceptable the lack of any accompanying written explanation of the changes. UCPB requested development of a formal proposal that would contextualize and justify these or other suggested changes to the language governing off-scale salaries in the APM.

In the Work Group’s meeting of August 2007, Provost Hume outlined the basic elements of the plan to remedy various salary scale problems. The Office of the President had already presented these elements to the Regents in their July meeting: a four-year time frame to close the salary gap; a combination of across-the-board COLA increases and “market adjustments” to the salary scales (2.5% and up to 8% in year 1), and others. After obtaining further information regarding the percentage of the salary gap to be closed in year 1 and the cost of the plan, Chair Newfield, and the incoming chair of UCFW have recommended that the COLA adjustment be revised upward to 4%, and that incoming Council Chair Brown communicate Senate recommendations and reservations to the Regents at their September meeting. Given objections to elements of the plan from some senior administrators in the system, its fate as of this writing is in doubt.

Professional School Fees

UCPB commented on the Regents' Proposed Guiding Principles for Professional School Fees, acknowledging the need for limited fee increases but objecting to the adoption of guidelines that would in effect apply a high-fee model as a way to compensate for public funding cuts. UCPB advised that fee increases should be driven by specific academic objectives, that public as well as private institutions be used as comparators, and that tuition levels at peer institutions should be seen as a ceiling rather than a target for UC's levels. In broader terms, UCPB felt this proposal reflected the lack of a coherent understanding of the long-term policy implications of replacing public funds with private resources (i.e., higher fees) and that institutionalizing the ability to charge high fees at varying levels across the system threatened the model of a relatively unified public university while at the same time damaging the public's willingness to support through taxes a university that was costing them ever-larger amounts in the form of higher fees.

At its April 2007 meeting, UCPB met with Christopher Edley, Dean of UC Berkeley's Boalt Hall, who has been a central voice in the discussion of discretionary and differential professional schools fees at UC. Dean Edley offered a detailed presentation on his strategic plan for Boalt Hall, which envisions that the responsibility for meeting the school's needs will be shared among students, alumni and private donors, and the state. UCPB members stressed that professional schools should continue to expect augmentations in state general funds, and urged Dean Edley and other professional school leaders to work together with the Senate to achieve adequate levels of state funding appropriate to its multiple mission. Although Dean Edley noted that fee increases at professional schools should not be used as a model for University fee increases overall, no plan was developed for making that distinction clear to political leaders or the public.

Graduate Student Funding

UCPB members supported the implementation of the Graduate Support Advisory Committee report from 2004-05, which suggested specific augmentations in graduate funding and attached a price tag to each. In addition, a Senate Memorial of May 2006 supported a proposal to remit Non-Resident Tuition (NRT) to their units of origin. UCPB found the cost of these improvements to be small and affordable. UCOP has not put additional funds into graduate funding, but has instituted a program to label as such the NRT portion of allocations to campuses, effective Fall 2007. Much work remains to be done to improve graduate funding in accord with repeated Senate statements on this topic.

UC –National Laboratory Governance Relations

UCPB became involved in this issue in 2005, when it requested information about the budgetary impact of the shift from UC to LLC management of the Los Alamos National Laboratory. Much of this information was not provided, and UCPB continued its consideration of the Los Alamos National Security (LANS) LLC, and the Lawrence Livermore National Security (LLNS) LLC, and UC's role in their management. UCPB held two discussions with University Counsel about the terms of the lab contracts and LLC governance structure, seeking to determine the impact of the agreements on the UC budget, the UC Retirement Plan, and UC research programs.

UCPB submitted to the Academic Council two iterations of a memo that reviewed the history of the Academic Senate's statements on UC – Labs relations, including the results of a 2004

faculty poll, and made recommendations aimed at aiding the Academic Council and its Special Committee on the National Labs (ACSCONL) in responding to faculty opinion and communicating lab-related issues to the faculty at large. The memo first asked ACSCONL to review the lab contracts and prepare a timely explanation of them for members of the Academic Senate. Second, it asked that appropriate Senate bodies be involved in the formulation of Orders and Policies that will bring the faculty-LLC relationship into alignment with faculty principles and with the Senate's recommendations on interactions between UC faculty and the labs. These recommendations were not adopted by Academic Council.

UCPB Chair Newfield received a copy of the LANS LLC Operating Agreement from a journalist who had obtained it from the University through a Freedom of Information Act request. Chair Newfield reviewed this document and summarized it for the Academic Council, but received no response from Council. By year's end, the Senate had not yet produced an analysis of the LLC agreements for its membership, nor obtained an answer as to the size of UC's portion of the management fee. (Academic Council Chair Oakley did post on the Senate website a non-analytical digest of the operating agreement.) The Academic Council replaced its previous labs committee (ACSCONL) with another, and UCPB expects to continue to monitor the situation in 2007-08.

Senior Management "Slotting"

In 2005-06, UCPB raised concerns about the methodology used in the report prepared for the Regents by Mercer Human Resources Consulting with regard to proper assessment of total compensation, the proposed salary slotting structure for senior managers, and the rationale for proposed salary adjustments. UCPB urged that no final action be taken until the report and its recommendations were further scrutinized and refined according to established Senate review procedures. UCFW has over the past two years carried out extensive consultation on and analysis of this methodology, and continues to work with Mercer and OP to improve that methodology. Chair Newfield and Irvine Division Chair McCartney drafted an Academic Council resolution rejecting stratification of jobs by campus size or implicit status, and this draft was endorsed overwhelmingly by the Assembly. The Regents circulated a revised slotting procedure in Summer 2007, which Council declined to endorse. UCPB will monitor this situation in 2007-08.

UC Office of the President Organization

[Assignment of the Budget Function at the Office of the President.](#) In reaction to a plan to place the budgetary functions at OP under a new Chief Financial Officer, UCPB urged that the University's senior budget officer be located instead within the Office of Academic Affairs, and also asked for assurance that the senior budget officer would continue to act as a regular consultant to UCPB.

[Report on Research Support Functions at the Office of the President and Proposed Job Description for a Vice President of Research and Graduate Studies.](#) UCPB did not endorse either the report or the implicit justification of a new Vice President that underlay the report. While agreeing with the general notion that certain research functions at OP should be consolidated, UCPB found the report lacked sufficient data and did not present a clear organization recommendation. UCPB opposed the proposed new Vice President position, seeing it as one of a

number of recent additions to UC senior management whose purposes had not been specified as part of an analysis of organizational needs or future direction. UCPB recommended that organizational and strategic analysis precede the creation of any new senior position, including the position of a new Vice President of Research.

Proposed Vice President for International Affairs. UCPB also did not endorse the immediate creation of this new vice presidency. UCPB felt the proposal did not adequately consider the various dimensions of international education at UC as a whole, which should include a resolution of the current financial and organizational difficulties facing the Education Abroad Program.

Study Group on Growth in Management FTE. Last year a joint work group was, at UCPB's initiative, established to conduct an in-depth study of FTE trends and disparities; however, the group remained inactive. UCPB formally requested the reactivation of the group, seeing its task as especially important in light of the fact that the Office of the President has entered a protracted period of reorganization involving the creation of a number of new, elevated, or redefined senior management positions. The group is now slated to reconvene in the coming year and will include UCPB representation.

Education Abroad Program

The UC Education Abroad Program is a flagship operation, unique in its scope and educational ambitions among major universities in the world. UCPB became aware in 2005-06 that it was suffering significant, unresolved budgetary problems, and invited its chief administrative officer, Gerald Lowell, to explain these problems at our March meeting. Committee members learned that the budget deficit is years-old and structural and that shifts in student demand mean that its existing financial model that will not lead to solvency. EAP's leadership team is in transition (the long-time director and Mr. Lowell have resigned), and senior managers have suggested in Senate meetings that EAP might be downgraded to offering support services to existing short-term campus programs. An ad hoc committee on international education at UC, formed by the Provost, has written a complicated report that does not resolve these issues, Another report, from an expanded version of the same committee, is awaited, along with still another report from an outside consultant hired by UCOP that will focus on the EAP budget and funding for campus EAP operations. Much faster progress should be made in resolving these issues, and UCPB will return to this issue in 2007-08

Review of Systemwide Research Units and Administration

[Report of the UC Academic Senate – UC Office of Research Multi-campus Research Unit \(MRU\) Joint Workgroup.](#) UCPB welcomed the report's efforts to clarify and implement long-awaited changes in the way MRUs are reviewed and funded, changes that build on earlier recommendations of UCPB and UCORP to re-define MRUs based on function, to set a reasonable limit on OP support, and to free up resources for seeding new research initiatives. In addition, UCPB recommended: a further streamlining of research unit categories; an expanded function of the MRU Advisory Board; and the encouragement of collaborative research programs that are unique and in areas, including the humanities and social sciences, where such collaboration could actually transform a field of study. UCPB noted that similar

recommendations have been made in the past by various Senate committees, including UCORP, and that implementation has been slow or non-existent. The MRU program remains sub-optimal, making less of a contribution either to specific research programs or to the University's aggregate research program than might otherwise be the case. The program needs stronger leadership and support from senior OP managers.

The University Committee on Latino Research (UCCLR) Proposed "Transition Plan to MRU. UCPB recommended that UCCLR receive a year of continued funding in order to develop a full proposal for its establishment as an MRU, and that the proposal be submitted as a competitive bid in coordination with UCOP's new principles for funding MRUs, which emerged from the Joint MRU Workgroup report cited above.

Operating Budgets for the California Institutes for Science and Innovation. In submitting to the Academic Council a proposed Review Protocol for the California Institutes for Science and Innovation (Cal ISIs) last year, the Chairs of UCPB and UCORP noted their ongoing concern about the long term budgetary issues surrounding the Cal ISIs and their potential impact on the campuses and UC as a whole. This year, in order to create a baseline for related discussions, UCPB requested specific budgetary information needed to accurately assess the present situation of each Institute and to advise on optimum future funding mechanisms. The information UCPB has received to date from the Cal ISIs is incomplete, therefore UCPB will re-submit its request for full budgetary data for review early in the 07-08 year.

Indirect Cost Recovery

UCORP Chair Wendy Max initiated a new study of indirect cost recovery mechanisms and impacts in the University, and Chair Newfield expressed interest in a joint project that would help, among other things, to understand the financial effects of ICR policy. A joint ad hoc sub-group of the two committees met with Vice President for Budget Larry Hershman and was able to establish basic parameters and compile documents that would allow the study to move forward, but the work was not completed. Chair Newfield will approach UCORP's incoming chair to see if the coming year's committee is interested in continuing this project.

Research Regulation Issues

Funding from the tobacco industry is an issue to which the Academic Senate has devoted an enormous amount of time. On two occasions, UCPB considered and did not endorse the proposed Regental ban on accepting funding from the tobacco industry, RE-89, UCPB did find merit in Regent Moores's request that the Academic Senate respond to specific questions about the potential impact of RE-89 on academic freedom and UC research. UCPB also reviewed an OP proposal to ban certain types of vendor-clinician relations, and invited Executive Director of Medical Services Rory Jaffee to its March meeting to discuss his draft proposal. The committee majority was skeptical about the value of these proposals when applied to the system as a whole and on top of the complex array of existing regulations. Another version of these regulations may be submitted to the Senate in 07-08. The Chair believes that the tobacco issue has tainted the issue of research administration to the point that faculty consensus on any mandatory research guidelines will be difficult to obtain in the foreseeable future.

Senate Effectiveness and OP Relations

UCPB sought to open a discussion of Senate effectiveness among members of the Academic Council. One side of the issue involves Senate-OP communications, including administrative responsiveness and committee access to timely and accurate data. The other side focuses on internal workflow, campus-systemwide communication and information sharing, and possible steps to enhance communication and processing speed within the Senate. Little progress was made in either of these areas, and much remains to be done in the 07-08 year.

Additional Proposals/Issues Reviewed at the Request of the Academic Council

- Proposed Modification to Senate Bylaw 205 – University Committee on Rules and Jurisdiction (UCR&J) – Endorsed.
- Proposed Amendment to Senate Bylaw 181 – Committee on Information Technology and Telecommunications Policy (ITTP) – Endorsed.
- Proposed Guidelines for the Role of Graduate Students in University Instruction – Endorsed with comment.
- Proposed Academic Council Policy on Fiscal Impact – Endorsed.
- UCORP Report on Institutional Review Boards (IRBs) at UC: IRB Operations and the Researcher’s Experience – Endorsed with comment.
- Proposed Open Access Policy, Implementation Option ‘C’ -- Endorsed with comment.
- Draft Proposals on Vendor-Clinician Relationships – Not Endorsed.
- Proposed Amendment of Senate Regulation 694 and Proposed New Senate Regulation 695 (concerning distance learning in graduate education) – Not Endorsed.
- The Regents’ Proposed RE-89 – Adoption of Policy Restricting University Acceptance of Funding From the Tobacco Industry – Not Endorsed.

Extramural Funding of Faculty Salaries. Commenting on a new accounting practice at UC Davis applied to faculty whose salaries are partially funded by extramural sources, UCPB discouraged the practice of re-charging faculty salaries to grants in general because it undermines the integrity of state funding of faculty salaries. UCPB advised that, in order to ensure a 100% FTE slot, teaching be scaled to the percentage of state funding and that the buy-out be done on a yearly basis.

UCPB Representation

The UCPB Chair served on two ad hoc groups – the Regents’ Task Force on Funding Options, and the President’s Work Group on Faculty Salary Scales – as well as representing UCPB at the regular meetings of the Academic Council, the Assembly of the Senate, the Academic Planning Council, and the Council on Research. A UCPB committee member sat on the Steering Committee of the Industry-University Cooperative Research Program, the ad hoc Committee on the Future of International Education at UC, the Technology Transfer Advisory Committee; and the Systemwide Library and Scholarly Information Advisory Committee.

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Humanities, Arts and Social Science Research Programs, and Bill Eklund, University Counsel. The chair offers special thanks to committee analyst Brenda Foust, whose research, drafting, and advice about committee directions were never less than superb.

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