

**UNIVERSITY COMMITTEE ON PLANNING AND BUDGET  
MEETING MINUTES – OCTOBER 2, 2007**

**Present:** Chris Newfield, Patricia Conrad, Robert Frank, Evan Heit, Tony Norman, John Ellwood, Norman Oppenheimer, Abel Klein, Bruno Nachtergaele, Susan Gillman, Katie Lapp, Debora Obley, Melissa Gibson, and Todd Giedt

**I. Chair's Announcements**

**ISSUE/REPORT:** Chair Newfield reminded members of the UCPB charge. He listed the following areas of concern to UCPB: research planning and funding, educational funding, university budget planning and policy, and delegated Senate reviews. Research planning and funding includes reviews of multiple research units (MRU) and the California Institutes for Science and Innovation (Cal ISI); in addition to ongoing issues concerning the [Industry-University Cooperative Research Program](#) (IUCRP), national lab management, research restrictions, and faculty research support and costs. Educational funding includes graduate student support and the review of the Education Abroad Program (EAP) and international education. EAP has been in a budget crisis for a number of years; a UCOP consultant is consulting with the system-wide office of EAP.

He also briefed the committee on the following funding issues:

- Merit reviews of the UCOP senior management group (SMG) will now take place.
- Cost estimates will now be included on all unfunded mandates that come from UCOP to the Senate on a voluntary basis.
- The Regents recently approved large increases in professional student fees.
- UCOP has received the [Monitor Report](#), which is a product of a Regental initiative designed to improve the performance of UCOP in its mission to serve the campuses.

This year, the committee will complete an 'Expenditures Report,' which will cost out some of The Regents priority items. Chair Newfield stressed the central messages of the Futures Report-- 1) that the Compact is a recipe for a general cut; not a recipe for a recovery; 2) the two prominently mentioned ways to bridge the gap in public funding—philanthropy and research funding—will not do so; 3) the only way to do this is through a tripling of student fees. Thus, the recommendation of the Futures Report to The Regents was to consider the possibility of a recovery in public funding. Another project includes a joint UCPB-UCORP report on research costs (indirect cost recovery); it was noted that the Santa Cruz Planning and Budget committee recently issued a small report on ICR, entitled the '[Report of the Subcommittee on Returns on Research Funding](#).'

**ACTION:** Request a Santa Cruz representative for UCPB-UCORP ICR committee.

**II. Consent Calendar**

**A. BOARS' Proposal to Reform UC's Freshman Eligibility Policy**

**ACTION:** UCPB will not comment on this proposal.

**III. Consultation with Katie Lapp, Executive Vice President – Business Operations, and Debora Obley, Assistant Vice President, Budget Development and External Relations**

ISSUE: EVP Lapp reported that the 2007-08 budget, which will be presented to The Regents in November, increasing UC's State funding by 6.4%, which maintains the Compact. However, the Department of Finance (DOF) projects a \$6.1 billion State deficit in 2008-09, which puts the continued maintenance of the Compact in jeopardy. California has a \$5-8 billion structural deficit or 'short-fall,' which is beyond what the State can correct with normal economic growth. Going forward, the budgetary process will be much more dynamic, streamlined, and transparent than it has been in the past; it will also incorporate elements of the academic planning process. The Regents are interested in reforming the budget process as well, and have set-up a Regents' Task Force to Evaluate University Funding Options as well as a task force to develop a financial planning computer model. Finally, the search for a Vice President of Budget is underway; the Senate will be asked to participate in a way that has yet to be determined.

**DISCUSSION:** Members asked how academic planning is being integrated into the budgetary planning process. EVP Lapp responded that she accompanied Provost Hume on some of his academic planning campus visits; she is working closely with him to ensure that future budget documents reflect his academic vision. She anticipates that the 2009-10 budget will be the first budget to truly incorporate academic planning. Towards that end, campuses will be submitting their enrollment targets out until 2020 to UCOP by December. Members were also concerned about the recent comments by State Treasurer Bill Lockyer, who has proposed cutting all State funding to the University as a way to correct the State's debt.

Achieving higher levels of funding from the State legislature was also discussed. EVP Lapp remarked that one problem is that Democrats are much more likely to have been educated at a CSU campus rather than at a UC campus. UC needs to convince Legislators how UC benefits their constituency. One obvious impact is innovation and related economic growth. However, coverage is important in this regard. For example, the biotechnology sector, which is concentrated in San Diego or the Peninsula, simply does not produce enough coverage and enough legislators.

The committee was also concerned about the Compact, and its impact on UC's budget. Chair Newfield reminded members that the Compact has not returned UC to its 2001-02 base-line funding; nor can the Regental goals for the University's reconstruction be met by the Compact's funding. EVP Lapp emphasized that UC needs to communicate its achievements, impacts, and needs to the state Legislature in a more effective manner before it can realistically ask for increased funding beyond the Compact. Members suggested utilizing the services of the UCLA Economic Forecast Project in these efforts. The interplay between state funds, endowment and philanthropic giving, and student fees was also discussed. Chair Newfield reiterated that the Futures Report showed that these numbers just do not pan out in terms making up the state funding cuts through these alternate means.

There was also a discussion on the make-up of UC's budget. One member remarked that UC general funds includes indirect cost recovery (ICR), which suggests that some spending does cross budget sector lines. EVP Lapp clarified that this ICR money is tracked, and is considered as discretionary campus spending. Medical center budgets were also mentioned. She noted that

revenue from medical centers cannot be transferred and utilized for core expenditures. It is also probable that the medical centers will have difficulty amassing huge budget surpluses going forward. Members indicated an interest in inviting Santiago Munoz, Associate Vice President of Clinical Services Development at UCOP as a guest at a future UCPB meeting. Chair Newfield observed that EVP Lapp's presentation encourages a structural perception of a trade-off between faculty salaries and student fees.

**ACTION: Invite Santiago Munoz, Associate Vice President of Clinical Services Development at UCOP as a future guest at a UCPB meeting.**

**IV. Lunchtime Presentations from the Senate Leadership** -- *Michael T. Brown, Academic Council Chair; Mary Croughan, Academic Council Vice Chair; and María Bertero-Barceló, Executive Director, Systemwide Senate*

**REPORT:** Senate Chair Brown outlined the role of the shared governance within the larger UC governance structure; he remarked that the systemwide Senate is far more involved in UCOP decision making than had been in the past. He stressed the importance of systemwide committees formulating systemwide perspectives, rather than simply expressing viewpoints that reflective of each division. He briefed the committee on the following developments within the Senate, UCOP, and The Office of The Regents:

- The Office of The Regents will create an analytical arm, which will be separate from the analytical functions of the Senate.
- UCOP will be restructured. Although the details have not been worked out, it is probable that some UCOP functions will move to the campuses.
- A Presidential search is underway. The search committee represents a broad array of faculty talent and experience, including experience on previous Presidential searches.
- The Senate passed a fiscal impact statement provision that requires UCOP estimate costs on all policy proposals and/or unfunded mandates with fiscal implications going to the Senate.
- The Regents recently approved a plan for bringing faculty salaries up to market over four years, as well as correcting the faculty salary scales.
- A BOARS proposal on the determination of eligibility ([Proposal to Reform UC's Freshman Eligibility Policy](#)) is currently out for review.
- The Administration has agreed to send all non-resident tuition (NRT) monies back to the campuses by tagging such revenues, which approximates a Senate request contained in the [2006 Memorial to The Regents on NRT for Graduate Students](#). There is also an agreement from the Chancellors to use these monies for graduate student support, as broadly defined.
- A final report from the Ad Hoc Committee on the Future of International Education at UC, which includes EAP, is due soon.
- The Regents recently approved differential fees on professional programs. While Chair Brown did not support this plan, he tried to insert faculty concerns into the Regents' discussion (see Chair Brown's notes on "Setting Conditions for Professional Degree Fee Increases," Distribution 2). The Regents' approved "Three-Year Plan for Professional Degree Program Fees and Proposed Degree Fee Increases for 2008-09" (see Distribution 3) were also provided.

Director María Bertero-Barceló informed members about the travel policy; all travel reimbursements are due within 21 days of the date of travel. She remarked that UCOP will not

process unusual travel requests. She noted that the committee's minutes, once approved, are considered a public document, and will be posted to Senate's public website. She added that the Senate is reviewing its formal review process with an emphasis on increasing efficiencies. Analyst Todd Giedt noted the existence of a password-protected site on the UCPB Senate website, where members can post draft working documents.

**DISCUSSION:** Members asked if an 11 to 5 PM meeting schedule could be arranged. Director Bertero-Barceló responded that this would not be problematic.

**V. The Senate and UC Planning** -- *Dan Greenstein, Vice Provost, Academic Information and Strategic Services*

**REPORT:** Vice Provost Dan Greenstein began his report by noting that in terms of university planning, UC has prioritized three objectives. First, the UC is investing in its academic future. The faculty salary scales plan is one example of this type of investment. Second, the University is reinvigorating its relationship with the people of California, which is essential in order to fulfill its mission as public service-oriented land grant University. And third, UCOP is restructuring itself to provide as many resources as possible for the University's core academic operations, while minimizing the resources needed for its administrative functions. He also remarked that the Monitor group is advising UCOP on three main areas: 1) The roles of the Presidency and its relationship to the Chancellors and The Regents; 2) SMG hiring policies and practices; and 3) reforming and streamlining the capital planning process. He added that the Monitor contract is not very broad. He also encouraged members to read the [Monitor's initial report](#) (phase one), which is diagnostic in nature on the role of UCOP. A progress report is due in November with a final report to The Regents in January 2008. The Senate, along with other systemwide groups, will be asked to comment on Monitor's report on UCOP roles, which is due in December. Vice Provost Greenstein provided the committee with Provost Hume's presentation to the Board of Regents in May 2007 in which he outlined UC's academic planning priorities (see Distribution 4).

Restoring UCOP's credibility to both the State Legislature and the public is very important. Provost Hume is insisting on making UCOP a much more open and transparent organization, emphasizing probity and action. This will play out in an open enrollment process, admissions data and practices, and the allocation of UCOP funds to campuses. Campuses will also be the primary source of advice on the kinds of services that UCOP provides. One example is UCOP's international activities. There is significant feedback that UCOP's international activities have not been well-connected to the international priorities and activities on the various campuses. Another issue is inter-communication between various systemwide groups. Reform of UC's External Relations will be the next area of emphasis. A committee will be convened by Keith Parker (UCLA), which will oversee the overhaul of external relations in both Sacramento and DC with an emphasis on connecting campus activities, UCOP activities, and external activities in Sacramento and DC. UC is also preparing for the general flattening of high school graduates in California (and freshmen enrollments), which is predicted by 2010. He noted that enrollment growth over the past decade has funded much of the innovation at UC.

EVP Katherine Lapp has been charged with reforming UC's capital processes. The way in which UC handles its reserves and cash management in its short term investment pool (STIP)

needs to be changed to increase dividends. There is currently about \$8 billion sitting in low-interest bearing accounts, which could be allocated much better. While the University is interested in a better allocation of its capital resources, it must first locate all of this capital, which is a different issue than re-allocation. While there is the potential for joint savings between UCOP and the campuses, this must first be investigated thoroughly; it will take some time to completely work through it. Data center consolidation is one area that has the potential for significant savings in the future.

**DISCUSSION:** Members asked for clarity on the nature of the problems that UCOP currently faces. Vice Provost Greenstein responded that the problems are complex in that over the last 20 years, UCOP has distributed authority for most administrative decisions to the campuses. These business practices and systems have grown without a solid policy framework. Consequently, UCOP is unable to adequately aggregate business information and provide that good information to The Regents. The leadership also needs to be changed that is appropriate for a coordinated organization, rather than a central organization.

Chair Newfield remarked that the credibility problem stems from a lack of follow-through. He cited the strategic sourcing initiative as one example. He also thinks that there are too many objectives with not enough resources to do them all. Vice Provost Greenstein responded that while these goals do seem broad and far-reaching, not all of the objectives are equally active or as equally complicated. He cited cultural changes as the biggest challenge however. UCOP has also prioritized the issues that it feels are the most critical for re-establishing its credibility. Chair Newfield elaborated that he would pick multiple-year strategic planning and transparent budgeting as the prime objective in the near future; second would be capital process reform; and third would be changing UCOP's culture. Vice Provost Greenstein added that a number of initiatives are complete or nearly complete. These include: 1) SMG reform; 2) an open and transparent budgeting process; and 3) academic planning. Indeed, the work on the academic planning processes has already produced such dividends as the faculty salary scales plan and improvements in the area of graduate support. This year's priorities are restructuring, UCOP roles (e.g., Monitor), and capital planning processes/STIP. He further commented that the ongoing determination of the role of the presidency also impacts the search for a new president.

Members discussed UC's current vision, its strategy, and external relations. Vice Provost Greenstein responded that that much of the academic planning has contributed to a strong UC vision (the 'power of ten'), but UC still lacks the ability to effectively communicate this vision. International strategy, and EAP's position within that strategy, also needs to be developed. He noted that a draft vision plan has been written, which he can forward to the committee. He will also send the first two statements that Provost Hume made to The Regents. Chair Newfield remarked that the system is not so much in the need of vision statements, but a clear and effective multi-year budgeting, effective and simple capital processes in the form of system efficiencies in short-term interest pooling. The faculty also take it for granted that the administrative UCOP restructuring will make these things happen. Vice Provost stressed that these things must flow out of the vision. Chair Newfield recommended that UCOP may want to focus its message to The Regents on three things—budget, information, and capital projects.

Members briefly discussed STIP, noting that there really is not a rational carry-forward process. Other members remarked that essentially parties need reassurance that their funds are secure and available. Everyone wants access to these funds, yet statistically speaking, only a few groups will need access in any given year. Vice Provost Greenstein responded that UCOP needs an incentive structure so that groups that have the money will benefit from long-term interest rates. One member added that UCOP needs to guarantee people and groups a floor, as well as guaranteeing them a certain percentage of the difference between the floor what UC makes off the interest. The floor is the insurance policy. Another issue is the elimination of disincentives to hoard the money, as well as incentivizing good behavior. Vice Provost Greenstein mentioned Anne Broome as a good resource for the committee, who can discuss this matter in more detail.

One member noted the importance of master's degree programs, and the attraction of these programs to the general public. Vice Provost Greenstein responded that with regard to professional degree planning, the health sciences are farther along because faculty in many of the profession schools have not reached consensus on the kind of instruction that they want to offer. The Master Plan and UC's relationship with the CSU must also be considered. Members remarked that the incentives for faculty to teach in some professional programs are the high fees that some of these programs charge. Assuming that UC's law and MBA programs are the cash cows, other professional programs may be losers. There is also a real trade-off between doctoral education and masters' level education. Thinking of the so-called 'cash cows' as a fix for the budget is very controversial. The value of master's degrees in different fields also varies.

**ACTION:** UCPB will continue to monitor these developments and provide feedback at a later date.

## **VI. Futures Report Part II: Expenditures**

**ISSUE:** With regard to the budget, Chair Newfield remarked that the budget is set in stone much earlier than he had previously realized. Although there is a spring State budget cycle, the UC budget is actually due in the fall; the budget office making a presentation to The Regents in November. Budget revisions are only done in extreme cases. This means that UCPB has only three weeks to provide input if it wants to be included in the 2008-09 budget process. Towards that end, Chair Newfield has written a first draft of the Expenditures Report, which attempts to cost out The Regents' priorities. The numbers in the report have been sourced from official UCOP documents. He commented that every year UC neither asks for, nor receives, the money necessary to achieve these goals. The ultimate aim of the Expenditures Report is to better understand UC's expenditures so that The Regents will be able to acknowledge the size of the problem in funding their goals. While there is general agreement that the general operational funding problem has been unsolvable, The Regents have focused on (and for the most part solved) a number of smaller projects and problems. Therefore, the goal of this report is to refocus The Regents' attention back towards the basic operational problems. The Expenditures Report will be forwarded to Academic Council for consideration at its October 31st meeting for eventual presentation to The Regents.

**DISCUSSION:** Chair Newfield explained the first table on p. 63 in the agenda, noting that the second column is the cost for the first year; the third column is the annual cost over a five-year

time span. One member suggested a ‘five-year cost’ column; multi-year costs should be separated from annual costs. Another suggestion was to add a base-line column, which would represent incremental costs, an annual cost column, and a five-year cumulative cost column. A notation should be provided stating whether the costs are fixed, or in perpetuity.

Members prioritized The Regents’ goals, as contained in Table One. Faculty salaries are already being addressed by The Regents; projections of these costs can be obtained from the faculty salaries workgroup. Members suggested removing ‘student-faculty ratios’ and moving ‘graduate student funding’ to a more prominent position. The inclusion of student-faculty ratios re-emphasizes the teaching of undergraduates and de-emphasizes graduate students. The graduate student funding issue also addresses research, State needs, and even the teaching of undergraduates. Members also noted that increasing graduate student funding also means increasing the numbers of faculty at the University. Pensions were mentioned as one issue that is different than the other categories, as the cost for this item will be shared by UC, its employees, and the State.

**ACTION: Chair Newfield will place graduate student funding at the top of the list. Abel Klein and Bruno Nachtergaele were assigned to work with Chair Newfield on the numbers contained in this report.**

#### **VII. California Institutes for Science and Innovation (Cal ISIs)**

**ISSUE:** Chair Newfield reminded members that late last year, UCPB reviewed Calit2. He presented the draft report and he invited comments on it.

**DISCUSSION:** Members briefly discussed the criteria on which Calit2 was reviewed. One member asked if Calit2 was required to meet all of the criteria. Chair Newfield clarified that the Calit2 was only required to meet one of the criteria.

**ACTION: Committee approved the draft review report on Calit2.**

#### **VIII. Faculty Salaries and the Faculty Salary Scales**

**ISSUE:** Chair Newfield briefed members on the recently approved faculty salary plan. The Regents have approved the general plan; the President has responsibility for approval of the actual salary details. He noted that while the basic elements of the Senate’s original salary plan are included, there are a couple of differences. For example, the Senate wanted a 4% COLA, but only received a 2.5% COLA; the Senate also wanted a two-year return to market, but the plan calls for four-year plan.

He outlined the basics of the plan as he understands it, but with the caveat that he has not received any official UCOP documentation on the new plan. All faculty who are on-scale will get at 2.5% COLA and an 8% scale (market) adjustment. A second class of faculty are those that are somewhat off-scale; they will receive the 2.5% COLA and the difference between where they currently stand and where the new scale will position them. A third group are those who are significantly off-scale (more than 10.5% off-scale); they will only receive the 2.5% COLA, as their salaries are already off-scale and will remain so. He added that every campus has some portion of faculty who are off-scale, but some campuses are worse than others. Chair Newfield

also stressed that the details have not been finalized, which to some extent will also vary by campus. For example, different campuses determine COLAs differently (some are computed on base salaries and some are determined on total salaries).

The Senate's working group on faculty salaries has been trying to get a hard-copy of the actual agreements. A number of questions have not been answered, however. First, to what extent are the campuses going to have to pay for their portion of the plan? Every campus will have a somewhat different coping mechanism to deal with the cuts. Another question is whether medical compensation will finally be decoupled from the scale system.

**DISCUSSION:** Some members noted that the faculty members who are most deserving of salary increases by virtue of their performance are actually getting the least. Chair Newfield added that while there may be a few faculty members who do not deserve the increase, most are solid UC faculty members who maintain acceptable levels of scholarly production. Certainly, one motivation behind the plan was a reform of the peer-review process.

**ACTION:** UCPB will continue to monitor this issue.

#### **IX. Updates from UCPB Liaisons to Systemwide Committees**

##### **1. The Technology Transfer Advisory Committee (TTAC)**

**ISSUE:** UCPB did not receive a report on TTAC.

**ACTION:** UCPB will receive an update at a future meeting.

##### **2. Ad Hoc Committee on International Education**

**ISSUE:** Chair Newfield noted that UCPB did review the draft report last year; the final report is due very soon. UCPB is also charged with monitoring EAP's finances. He indicated that it would be useful to hear Jerry Kessler's comments on EAP's budget options at the November meeting; Jerry Kessler is a UCOP consultant to EAP.

**ACTION:** Jerry Kessler will be invited to the November meeting as a guest.

##### **3. MRU Advisory Board**

**ISSUE:** Professor Norman reported that due to a scheduling conflict, he missed the September meeting. However, he will get the minutes from the meeting

**ACTION:** UCPB will receive an update at a future meeting.

##### **4. Systemwide Library and Scholarly Information Advisory Committee (SLASIAC)**

**ISSUE:** Professor Gilman reported that SLASIAC has not met yet.

**ACTION:** UCPB will receive an update at a future meeting.



**X. New Business**

**1. Agenda Enclosures**

**ISSUE:** Members asked about the further distribution of enclosures, noting the warning on the agenda enclosures: “This Agenda may contain confidential and privileged material for the sole use of the intended recipient. Any review or distribution by others is strictly prohibited.” While agenda items must continue to use the above label, Chair Newfield said that future agendas will note which enclosures can be forwarded within reason.

**ACTION:** Chair Newfield agreed to note on the agenda which enclosures can be forwarded, and which enclosures are truly confidential.

**2. Meeting Schedule**

**ISSUE:** Members proposed meeting from 11 AM to 5 PM, instead of the traditional 10 AM to 4 PM schedule.

**ACTION:** Members will vote on this action over email.

**3. IUCRP**

**ISSUE:** Chair Newfield asked for a volunteer for UCPB’s representative to the IUCRP steering committee, which is a \$40 million/year granting operation that is designing to facilitate university-industry relationships. The next meeting will be held on October 4<sup>th</sup>.

**ACTION:** Bruno Nachtergaele was selected as the UCPB representative to IUCRP.

**4. Review of the Proposal for a School of Public Health at UC Davis**

**ISSUE:** Per the compendium, UCPB is required to review all proposed Schools. The traditional practice of UCPB is to select a subcommittee of lead reviewers, who will write a draft report to be presented to the committee at large.

**ACTION:** John Ellwood, Susan Gillman, and Melissa Gibson (student representative) were selected as the lead reviewers for this proposal.

The meeting was adjourned at 4:00 p.m

Attest: Christopher Newfield, UCPB Chair  
Prepared by: Todd Giedt, Committee Analyst