

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
November 3, 2009

I. Member Reports on Gould Commission Listening Tours

Issue: The [UC Commission on the Future](#)—aka “The Gould Commission”—is conducting “Listening Tours” of the campuses, with visits to Santa Barbara, Merced, Santa Cruz, and Irvine complete. UCPB members from those campuses shared perspectives about the meetings.

Reports: About 100 people attended the hearing at UCSB, which was streamed over the Internet and is archived at http://chancellor.ucsb.edu/ucfuture/ucfuture_ucsb.mov. The question and comment period yielded passionate input, with some faculty noting skepticism about the Commission’s plans and goals. Commission members emphasized their openness to all perspectives and ideas. At UCM, the Commission’s answers to questions about student fees made some faculty think that the Commission is seriously considering differential campus fees. UCSC Senate leaders noted that listening tours do not equal formal Senate consultation and reiterated their expectation for a Senate review period before the Commission presents its report to the Regents. They asked that the draft report list a series of choices rather than recommendations, so Senate consultation might go beyond acceptance or rejection of a limited set of conclusions. They also noted how important it is for UC to maintain its character as a single University and the need to level the campus funding formulas.

Discussion: *Senate Vice Chair Simmons:* If the Senate wants to influence the work of the Commission, UCPB and other committees should insert themselves proactively into the process and opine on, for example, the viability of new and existing revenue sources; the extent to which UC can rely on student fees and increased non-resident enrollment to generate revenue; and the viability of President Yudof’s recent [white paper](#) proposing an expanded federal role in supporting higher education. UC’s biggest priority must be to protect its faculty. It would take much longer, perhaps decades, for UC to recover from a significant loss of faculty, than from the damage to affordability and access brought by higher fees and reduced enrollment. The best way to protect UC and ensure the credibility of the Commission is to ensure that the Senate has access to the same information resources as the Commission.

II. Budget Consultation with the Office of the President

o *Vice President for Budget Patrick Lenz*

Report: 2009-10 will be a difficult year. In mid-November, the Legislative Analyst’s Office will release its fiscal forecast for the State detailing California’s budget conditions and challenges. The Controller has indicated that the State is at least \$1.1b short of its 2009-10 general fund projections, which had already predicted a \$7-8 billion budget gap. Some of the “solutions” used to bridge last year’s budget gap may not work out due to court challenges and other unforeseen circumstances. UC will ask the State for \$305m to restore the one-time cut from 2009-10; \$105.7m to fund the UC Retirement Plan and annuitant health benefits; \$156.3m to restore UC’s unfunded enrollment deficit; and \$332m for “Reinvestment in Academic Excellence,” the difference between the one-time \$305m cut and last year’s total \$637m cut. Furloughs are saving UC \$184m. The President has said that he is committed to ending the pay cut and furlough plan

after this year, but in an uncertain budget climate, all options, including additional campus cuts and layoffs, higher student fees, and furloughs will have to remain on the table and be considered in a worst case scenario. It is impossible for UC to make progress on priorities like salaries and student services without additional resources.

Later this month, the Regents will consider UCOP's recommendation for a mid-year undergraduate fee increase of 15% and a graduate fee increase of 2.6%, as well as a second, across-the-board increase of 15% for 2010-11. The increases are roughly equivalent to an 11% UC budget cut. UCOP is exploring what additional financial aid might be needed to attract and support graduate students, as UC is approaching the threshold for how much of the graduate fee increase it can ask granting agencies to support. CalGrants cover the mid-year fee increases for undergraduates, although the Governor is now targeting CalGrants for elimination. The state's lack of commitment to CalGrants should not drive UC's revenue decisions.

A Registration Fee Task Force has determined that campuses have not always used the Reg Fee appropriately; recommendations will be issued in May for how to improve Reg Fee allocation mechanisms and accountability.

UCOP is battling several rumors and myths circulating online, including a non-existent salary increase for President Yudof, a phony letter from "the President" regarding 2010 fees, and a myth that UC is using educational fees for capital facilities projects. (The latter is prohibited by Regental policy.)

Finally, the Department of Finance has not ruled out the option of issuing IOUs for pensions and other payments, although the State is concerned about the impact of such a move on the California's ability to sell commercial paper; CSU is cutting enrollment an additional 40k next year, but is delaying action on fee increases in hopes of a fee buy-out; and the California Director of Finance is leaving his job at the end of this calendar year.

Discussion: One member remarked that it is not always clear what value is added when UCOP collects the Educational Fee and redistributes it to the campuses. VP Lenz responded that UCOP's "tax" supports priorities within and outside of UCOP; however, UC is reviewing this funding model in the context of improving transparency, as well as better defining UCOP's role and the resources needed to fund UCOP.

III. Consultation with the Office of the President

- *Debora Obley, Associate Vice President for Budget*
- *Michael Clune, Director, Operating Budget*

Report: Consultants presented the findings of a comprehensive analysis of UC revenue sources and the process by which the major pieces of State funds, student fees, and other revenues are generated and allocated to the campuses. The President asked for the study after hearing concerns about how UCOP-controlled funds are distributed to campuses. Its purpose is to provide a comprehensive look at UCOP's allocation methods for all major fund sources, improve transparency, explain UCOP's rationale for distributing funding, and identify possible modifications and new processes. UCPB will not have access to all slides from the PowerPoint presentation, because there is concern about further distribution of the data absent a clear context.

UCOP collects several sources of non-auxiliary and non-hospital revenues centrally and redistributes them to the campuses. Educational fees have increased over time to comprise a much larger share of the budget, and the University for some time has used educational fee revenue to offset state budget reductions and fund cost increases on the campuses. As a result, fees generated at one campus do not necessarily stay on that campus. Some campuses want UCOP to return all revenue to the source campus and tax other sources to fund systemwide programs and administration. They have also asked UCOP to decentralize student aid funding and interest income from the short term investment pool (STIP), simplify indirect cost recovery accounting; abolish the general fund contribution from patent revenue, increase accountability for systemwide expenditures, and re-base campus budgets.

The two major types of revenue UCOP allocates to campuses are undesignated state general funds and student fee income. UCOP pools revenues from state general funds, other UC general funds, and student fees, and allocates them incrementally to campuses to fund enrollment growth, maintenance of new space, and compensation/benefit cost increases, as well as some special initiatives. For cost increases, UCOP allocates money as an identical percentage increase to existing campus base budgets, which vary significantly due in part to the funding formulas in existence at the time each campus grew. For example, UCB and UCLA grew their graduate enrollments at a time when allocations for enrollment were made on a weighted basis that provided more funding for graduate students. More recent graduate enrollment growth has been funded on the basis of a general campus average, which means campuses whose enrollments have grown in more recent years received comparatively less funding on a per student basis. As a result, the Berkeley and UCLA general campus base budgets are about \$3k more per student than other campuses.

UCOP collects and redistributes the educational fee and application fee revenue, and sets aside a portion of the educational fee for return-to-aid. The source campus retains other student fees, including registration fees, summer fees, and beginning in 2007-08, non-resident tuition (NRT). UCOP now gives campuses NRT revenue targets and allows them to retain revenues over target.

The federal indirect cost recovery distribution method, based in part on a 1979 MOU with the state, carves off pieces of indirect cost revenue for research building debt service, contract and grant administration, general fund contributions, and Opportunity Fund support for priorities like faculty recruitment and retention. UCOP taxes the latter three components at 6% to fund designated campus programs, systemwide programs, and systemwide administration, with 94% going to the source campus. UC's indirect cost recovery was \$602.4m in 2007-08. UCOP redistributes State indirect cost revenue to support the general fund, with the exception of CIRM-related revenue, which source campuses retain. The Health Sciences campuses generate significantly more indirect cost revenue than other campuses.

25% of net patent revenue goes into the general fund and the rest is discretionary to the source campus. UCOP retains and redistributes STIP interest income on funds held centrally, and campuses retain it from other funds. UCOP relies on STIP revenue to fund certain systemwide programs.

The various allocation policies impact campuses differentially, and Health Sciences campuses have certain advantages. Because UC now depends more on student fee income to fund the budget and because there is significant variation in per-student base budgets across campuses, UCOP shifts fee revenue from campuses with higher enrollment and lower base budgets to

campuses with higher base budgets relative to enrollment. For example, UCSF has fewer students, but a relatively high base budget, so its cost increase burden is disproportional to other campuses relative to enrollment. UCOP also recognizes the inequity in the historical base funding system and makes some allocation adjustments to help level the playing field.

UCOP wants to develop a principled basis for allocation decisions that are also based on their long range value. Possible new principles and processes for allocating funds are complicated by the need to address the multiple missions of the University in an era of eroding state support, including support for systemwide programs like ANR and EAP, as well as the variation of campus profiles, their financial flexibility, and competing aspirations, and legal and accounting requirements.

Discussion:

- UCPB understands and respects the importance of confidentiality, but the Committee should have access to the full presentation and all the data behind it. This information is necessary for UCPB to consult fully with UCOP on the budget. The Senate and administration, as always, should work together to foster understanding.
- From the point of view of campuses, the NRT target policy creates a financial incentive to increase non-resident enrollment for those campuses able to attract such students. It was also noted that UCOP expects campuses to enroll only 1000 more non-resident undergraduates over the next five years, at most.
- The inequality of campus base budgets is due to a past system in which some campuses were rewarded for having larger graduate student populations; and due to allocation formulas that came as percentage on base budgets, rather than referring to growth in full-time enrollments or other indicators of funding need.
- UCOP's policy of reallocating fee revenue has over the years effectively shifted growth revenue from source campuses to UCSF and other Health Sciences campuses, and to systemwide programs, initiatives and administration.
- Members found the presentation useful and excellent.

Action: The Budget Office will forward UCPB some of the slides from its presentation.

IV. Announcements and other Reports

UCPB Chair Krapp reported that a subcommittee of UCORP and UCPB members is working on an updated report on indirect cost recovery. Joining the next discussion of that sub-group will be Vice President of Research and Graduate Students Steven Beckwith and Former Senate Chair Mary Croughan, who is also now co-chairing the Gould Commission's Research Strategies Working Group. Another subcommittee, including members of UCPB, UCAP, and UCFW, will revisit the faculty salary scale issue, and a third joint senate group involving UCPB and UCORP members will develop a series of queries to DANR intended to facilitate critical thinking by DANR about its strategic vision and how to attain it.

Vice Chair Simmons noted that the President's Task Force Post Employment Benefits is sponsoring "Listening Forums" at each of the campuses to discuss UCRP funding issues, including the mounting unfunded liabilities for UCRP pensions and Retiree Health.

Professor John Ellwood reported that the UCB Senate is about to vote on a non-binding resolution calling on UCB to end campus subsidies for deficits incurred by the Department of

Intercollegiate Athletics, so as to transform that department into a more self-supporting enterprise. He noted that UC has multiple constituencies, including alumni who want winning sports teams, and that UCB has embraced Title IX with a full spectrum of men's and women's athletics.

Professor Warren Gold described a study being proposed by UCSF and UCB faculty on the potential savings to UC under a California-run single payer health care system. Their initial estimate is \$18b over ten years. Chair Krapp added that UC is paying \$95m more for current employee health care this year than in 2008-09.

V. Consent Calendar

1. Approval of the October 6, 2009 UCPB Minutes

Action: UCPB approved the consent calendar.

VI. Online Education

Issue: The Department of Academic Planning, Programs, and Coordination at UCOP has proposed a new systemwide pilot project to assess the use of online education in the undergraduate curriculum. In addition, the report of the Academic Senate Special Committee on Remote and Online Instruction and Residency is out for systemwide review and comment. That report also endorses the idea of the pilot project.

Discussion:

- The pilot project prospectus contains the idea of better system-wide coordination. It might make sense that if all UC campuses offer a similar introductory course with more or less uniform curriculum—Chemistry I for example—there could be a single systemwide class offered online for many more students that could potentially save resources.
- The proposal shows a lack of understanding of the role of the faculty, and it ignores how students learn and how UC funds its graduate students. More online instruction could lead to higher student-faculty ratios and damage educational quality. And if UC has fewer ladder rank faculty and more students, there will be less research.
- The pilot would be more successful if it grew organically from the bottom-up. At the same time, a systemwide initiative like this is UCOP's best tool to help foster UC as One University instead of a collection of campuses.
- Vice Chair Simmons noted that the project is a grassroots effort. UCOP will raise funding centrally, but the competitive course proposals will come from faculty, and any course will have to be approved by campus Senate committees.
- It should not be the role of the proposing faculty to provide a sustainability or continuation plan beyond three years;

Action: Evan Heit, Michael Colvin, and Brent Haddad will draft a memo.

VII. UC Education Abroad Program

Issue: UCPB reviewed a UCPB statement on the UC Education Abroad Task Force Report drafted by Professors David Lopez and Jean Bernard Minster, who volunteered to serve as UCPB's representatives on the EAP Governing Committee proposed in the report. Senate Associate Director and UCIE Analyst Todd Giedt also joined the meeting.

Report: When the Governing Committee (GC) met on the phone last week, the Provost's office asked it to endorse the modified EAP budget plan and proposed differential fee schedule, although it was clear that UCOP has already made many of the fundamental structural changes. EAP's UCOP funding will drop to about \$4m in 2009-10, and to \$2.9m in 2010-11. Certain overseas study centers have already been closed and others are slated for closure. There is concern that UCOP plans to employ an executive search firm to hire a non-academic director for EAP. The Senate's point of view continues to be that EAP should remain an academic program under the control of the faculty.

Discussion: It was noted that the new budget model hurts EAP but does allow it to survive in some form with the possibility of resurrecting closed programs in the future. One member suggested that a policy forbidding students from study abroad outside of EAP could help put EAP on a stronger footing, and there was a suggestion to make the least expensive centers systemwide and move the more expensive and specialized programs to specific campuses. EAP is another activity that helps promote the One University model, and growing local programs to the detriment of EAP could undermine the quality and efficiencies brought by the systemwide model. EAP should be made to work effectively, but it should remain an academic program that is under the control of the faculty. An academic director for EAP is essential. The Senate members on the GC should revisit the job description and participate in the interview process.

Action: Final changes will be made to the draft and forwarded to Academic Council.

VI. Consultation with UCOP

- o *Dan Greenstein, Vice Provost for Academic Planning, Programs, and Coordination*

Issue: Vice Provost Greenstein joined the meeting to discuss EAP, the [2009 UC Accountability Report](#), and the new online education initiative.

EAP: He said it was not UCOP's intention to rule out an academic administrator as EAP director, but the financial success of EAP depends on its ability to recruit students and be entrepreneurial, while the academic strength of the program requires the ongoing oversight of the Academic Senate. The search process must begin now in order to get a new director in place by July 1. EAP will remain a systemwide program irrespective of where it is located.

Accountability Framework: The [Framework](#) was published in May 2009. It has already helped inform policy discussions and will be updated annually with a reduced, more focused set of indicators and sub-reports. The Accountability Advisory Group, with input from the Senate (including two members of UCPB), will help pare down the indicators to the most essential.

Online Education Pilot: The catalyst for the pilot project was a desire to cut costs, remove obstacles to cross-campus instruction, and expand educational access. UCOP is also responding to interest at the campuses for aligning some programs across the system. UCOP will seek funding from private sources for the project, which will advance through a competitive RFP process. Faculty will be invited to propose an online course or program they might build with

grant funding; for example, a University-wide large-enrollment lower division undergraduate course taught in similar form across all or most campuses. There is no view from the top about how the curriculum should be oriented, and a recent proposal for an 11th “cybercampus” was never seriously considered.

Discussion:

- UCPB looks forward to see its feedback incorporated into the Accountability Framework, and welcomes being consulted by UCOP about each new iteration of the document.
- The assumption that online instruction saves money is highly problematic; it would hold true only if one jettisons the educational hallmarks of quality common to a research university. The “UC 11” idea should be removed from the prospectus if it is not being seriously considered. UC’s educational goal is not “just-in-time” corporate training. UC should thoroughly consider the issue of faculty’s intellectual property rights over an online course.
- Not every program at a particular campus pays for itself, nor can every program be asked to be self-supporting; they are essential parts of what makes a comprehensive modern University.

IX. Consultation with UCOP

- *Lawrence Pitts, Interim Provost*

Issue: UCPB invited Interim Provost Pitts to discuss contingency scenarios for UC’s budget expectations. If the State does not fund all components of the UC budget request, what system-wide solutions are there to bridge the budget gap, and what should be avoided if possible?

Report: Some believe UC’s best budget strategy is one that is realistic about the state’s ability to provide support; at the same time, we do not want to sell UC short or obscure its real needs. The Regents’ item will include a \$900m total request: restoration of the \$305m one-time cut, and funding for UCRS, enrollment, and other academic priorities. Restoration of state funding combined with fee increases will allow UC to end the furlough program; however, UC faces a \$500m gap if it restores pay cuts and the State does not restore at least the one-time cut. UCOP is shrinking and passing on some savings to campuses, but much of its unrestricted \$300m budget directly supports campus programs. UC has drawn down its unrestricted budget reserves from \$5b to just below \$2b. Program consolidation will provide a little savings, and UC will be weighing the costs and benefits of shrinking and/or disestablishing programs. It will be difficult to achieve a stable funding and expense base without more staff layoffs. Most of the burden of cutting will have to come at the campus level; hopefully divisional budget committees and Senate representatives are fully embedded in the local campus budgeting process.

Discussion: It was noted that campuses will have an easier time making choices about cuts if they have a set of principles to guide priorities. Provost Pitts responded that UCOP will create a set of principles that can be directly applicable to those choices.

It was noted that furloughs have severely damaged morale, and UC could soon begin losing faculty to other universities. Provost Pitts said his biggest fear is losing faculty and UCOP will do everything in its power to end the program after this year, but if UC gets nothing from the state, continued pay cuts will have to remain an option. In January, UC will begin gathering quarterly data on failed recruitment and retention actions and other academic personnel indicators.

It was noted that the budget crisis is an opportunity to clarify and simplify UCOP's funding model and develop a better model for funding the campuses. Provost Pitts said the Budget Office's Funding Streams study is examining the flow of money through UCOP and the best funding model for UCOP and the campuses. This is also the focus of the Gould Commission, including the Size and Shape Working Group and the Funding Strategies Working Group.

A member remarked that there is a perception that UC's budget lobbying efforts are too passive; UC should work with the federal government and take advantage of the presence of UC faculty in the White House. Provost Pitts said because the state has no money and no new income streams, the most skillful lobbying effort in the world may not succeed. UC needs a clear plan of action in the meantime. UCPB will follow up on "plan B" scenarios.

The meeting adjourned at 4:00 pm
Minutes prepared by Michael LaBriola
Attest: Peter Krapp

Distributions:

1. Funding Streams Study: Summary of Reallocation of fund Sources (2007-2008)