UNIVERSITY COMMITTEE ON PLANNING AND BUDGET
MEETING MINUTES – MAY 6, 2008

I. Chair's Announcements

ISSUE/REPORT: At the April Council meeting, Council considered a proposal to assemble a task force that would consider expanding Senate membership. Chair Newfield also briefed members on restructuring, remarking that restructuring now seems to be driven by the need to post negative numbers in terms of cuts. While Chair Newfield is not necessarily opposed to the restructuring from an efficiency standpoint, UCOP's relationship to the campuses is of concern. Providing services to the campuses still holds a crucial place in the 'Roles' report; the Monitor recommendations are very clear that UCOP should cease and desist from being a 'gate-keeper,' be interactive, and be transparent. More recently, this message is being slanted in a negative way; Monitor's call for interactive consultation and transparency is generally being ignored, and is being replaced by simple cuts. Within the Senate, there seem to be two philosophies regarding restructuring: 1) The Senate should only fight battles that it can win (e.g., admissions); and 2) the Senate should fight the big battles in order to change the framing of certain issues.

DISCUSSION: Members noted that there was a recent ad in the New York Times for UCLA, which stressed that state support is no longer a guaranteed state right, and urged donors to give money to UCLA. There was also some discussion about how quickly President-designate Yudof will move (with regard to restructuring) once he takes office.

A discussion regarding faculty salary scales was held in executive session.

II. Consent Calendar

A. Approval of the Agenda
B. Approval of the Draft Minutes from the April 22, 2008 Teleconference
C. UCPB Draft Response to the UC Information Technology Guidance Committee (ITGC) report, "Creating a UC Cyberinfrastructure"

ACTION: Members unanimously approved the consent calendar with a minor modification to the minutes.

III. UCOP Restructuring and the UC Budget— *Chair Newfield*

ISSUE: Chair Newfield briefed members that UCEAP suffered a 15% cut in January; Senate recommendations (not to cut by 15%) did not seem to have any effect. Although Provost Hume has called for a sustainable funding model, one such model proposed by UCEAP was "rejected by UCOP without discussion" (per EAP Director O'Connell's report). UCOP has also proposed a $7,000 FTE cap on EAP revenues, which would mean a reduction of 30% in EAP's operating budget. Director O'Connell's letter states that costs can be cut by 1) ending a nine campus 'federal' EAP and/or 2) ending UC faculty oversight of EAP courses and credit. Any of the proposed financial models has not received any type of Senate review, and it is not clear how such a review would take place.

It terms of restructuring he noted that UC success stories, e.g., EAP and the Digital Library, are being cut. Subsequently most of the reductions are coming from EAP (from 100 to 80 FTE); the administrative removal of the Continuing Education of the Bar from UCOP's budget to UCB's Boalt Hall's budget; and the Digital Library, which has suffered a 40% reduction in its acquisitions budget. The tally of the cuts is as follows: In Academic Advancement, salaries and benefits are being cut by 10%, and operating expenses by 28%; in Academic Information and Strategic Services, salaries and benefits are being cut by 40%, and operating expenses by 26%; in Educational Relations, salaries and benefits are being cut by 31%, and operating expenses by 22%; in Health Sciences and Services, salaries and benefits are being cut by 29%, and operating expenses by 5%; in Human Resources and Benefits (HR&B), salaries and benefits are being cut by 45.4%, and operating expenses by almost 20% (before the actual bidding of the HR&B RFP); the operating expenses for lab management are also being cut. The following departments and units were largely spared cuts (albeit with some low operating expenses reductions): Agriculture and Natural Resources (only losing 6% in salary and benefits), the Budget Office, Financial Management, Informational Resources, the President's Office (loss of 22% in salary and benefits), the Provost's Office (also loss of 22% in salary and benefits, and 5% reduction in operating expenses), Student Affairs (only 1% loss in operating expenses), Compliance and Audit (11% increase in salary and benefits and 100% increase in operating expenses), Office of General Counsel, and the Office of The Regents (23% increase in operations), the Office of the Treasurer (small increase), and the Academic Senate. If restructuring is presented without any of these numbers, it appears to be a worthy endeavor. However, it seems that restructuring is being impaired by the motivation to just get costs off the books without regard to the academic value or success of certain projects or programs. Services that are valuable and should not be seen as a liability by UCOP; academic services need to be respected, and not manhandled.

ACTION: Chair Newfield will draft a comment letter on the 'Roles Report and Restructuring.'

IV. Announcements from Patrick Lenz, Vice President of Budget

ISSUE/REPORT: VP Lenz reported on the current state of California's budget. He estimates that the size of the actual budget deficit is probably within the $12-14 billion range; the Governor has stated that the deficit is larger than this. As an aside, the Orange County Register reported this week that there is in fact not a problem—that the state will have another billion dollars above what it had last year. The 'May Revise' will be released on May 14th. At the state level, a number of options have been discussed, which include expanding the tax base, increasing the sales tax, as well as taxes on internet sales. The permanency of such options is also a consideration. Governor Schwarzenegger removed the vehicle licensing fee early in his administration, which represented $6 billion in revenues, and has yet to be replaced. While budget subcommittees have not taken any specific actions yet, they have embraced the activities of the three systems (UC, CSU, and the California Community Colleges) of going to editorial boards, participation in events and activities, etc. There is still a possibility for further cuts in 2008-09 though. If there is a tax increase, a likely trade-off will be a long-term structural spending limit tied to the budget along with a budget-reserve of some kind. Compounding the situation is the fact is the state will run out of money by August if a new budget is not passed.

At their May meeting, The Regents will review an outline of the impact of the reductions that were put forward in the Governor's proposed January budget, along with an offset of a 7% student fee increase. The language of The Regents' fee item leaves open a revision of a fee increase in July. In the past, there have been criticisms from a number of stakeholders who claim that the UCOP budget process is not fair, not transparent, and not understandable. UCOP is now especially mindful of the impacts of solitary budgetary actions on the different parts of its budget. Towards that end, UCOP has been gathering data from the campuses. He emphasized that specific campus inequities cannot be addressed in a budget cutting year. Currently, there are two sets of mandatory costs; one of which are 'continuation costs' (the other are the merits), which are part of the collective bargaining agreements that were agreed to in October; ¼ of these will go into the next fiscal year. The University must support both merits and continuation costs, but they will need to be funded out of the campus budgets, as there is not any money within the UCOP budget to do so. Two options are available. The first is to simply cut all of the campuses, and redistribute money based on these costs; the second option is to calculate these costs, and then let the campuses figure out how to pay for them.

DISCUSSION: Chair Newfield emphasized that the Department of Finance (DOF) reports that the year-to-date cumulative revenues are only about $1.2 billion below what was expected; employment seems to be holding up—taken in sum, this does not seem to be as negative as the Governor is making it sound. VP Lenz added that these numbers do not include the receipts from mid-April either.

Chair Newfield reviewed the details of the events of the salary plan for year one. First, COLAs were paid on base salaries only. However, COLAs were not paid by UCOP on unfilled FTEs. As a result, the campuses are becoming increasing concerned about the costs that they will be facing even in year one. As a result, there is resistance from some EVCs to continue 'market [scale] adjustments.' Chair Newfield related a response from AVP Obley that described the options for paying for continuation costs, as noted by VP Lenz above, with a statement that both options have the same effect in the end. He argued that these options do not have the same effect, they are non-transparent; the second option would generate ill feeling between the faculty and the campuses, as well as ill feeling between the campuses and UCOP. VP Lenz remarked that that AVP Obley's response is only a part of the picture, noting that all of these decisions are going to come at the expense of reducing campus budgets. The other part of this relates to what advice the Budget Office can provide in how to structure these cuts in the hope that this will be a one year problem. While continuation costs could be funded by the campuses, one member opined that postponement of funding for the second year of the salary plan may be another option. Some campuses also have unique issues. At Merced, there is a commitment to fund their enrollment; UCSF's budget should also not be cut to address enrollment issues. Chair Newfield emphasized that the Budget Office should fund Year 1 continuations (the gap between each individual's faculty member base between 2007-08 and 2006-07).

V. A Discussion of Campus Budget Planning— *Chair Newfield*

The committee did not have time to discuss this issue.

VI. UC Merced Budget – *Evan Heit*

ISSUE: Professor Heit began his presentation by noting a number of descriptive statistics on UC Merced (UCM). In fall 2007, UCM had a total of 1871 students (7% graduate students). For fall 2008, the campus has an enrollment target of 2700 students. It can also boast of 50% first generation students. By fall 2007, UCM had 84 ladder rank faculty members (23 professor, three associate, and 58 assistant faculty), and will add 20 faculty members this year. In terms of undergraduate education, there are three schools—Engineering, Natural Sciences, Social Sciences, Humanities, and the Arts—with 17 undergraduate majors. There is also high participation in research projects (27% of entering fall 2005 students had done individual studies by spring 2008). The campus just received a $1.1 million McNair award. UCM has nine individual graduate majors; one Ph.D. program has now been recognized by CCGA. The campus is also associated with the Sierra Nevada Research Institute. In terms of research, UCM's 2005-06 research awards amounted to $7.6 million ($170,000 per ladder rank faculty member); in 2006-07, its research awards amounted to $12.2 million ($174,000 per ladder rank faculty member).

In 2007-08, UCM's operating budget of $76.9 million is only .04% of the UC systemwide budget of $18.1 billion. Similarly, UCM's proposed state-funded capital improvement budget from 2008-09 to 2012-13 is $61.4 million, which is only 2.7% of the systemwide capital improvement budget of $2.3 billion. At a rate of building one building every five years, it would take 50 years to build out the campus. Currently, there are only two buildings that faculty can do research in. UCM receives revenues in the form of growth in student FTE, supplemental state appropriations (that will be cut-off soon), a steady line of credit ($5 million from UCOP), and a modest, but a rising, indirect cost recovery (ICR) rate. Merced plans to use these funds to increase its numbers of faculty and lecturers (20 or so per year), but there is a negative balance overall. UCM is looking to restructure its debt (in order to pay interest only payments on some of this debt). The original plan had been to add a sufficient number of students (e.g. adding 1,000 students per year), which would eventually put the campus in the black. Based on that assumption, campus planners had shown the supplemental state appropriations declining annually over time from $14 million this year, to $10 million the following year, to $5 million the next year, and finally to zero in 2011.

The campus is permitted to build on about 100 acres. UCM is currently going through a permitting process to gain access to additional 800 acres (50 of these are protected wet lands). The kind of space needed is lab space, office space, and instructional space. Professor Heit noted that there is a leased satellite campus at Castle air force base (ten miles away). The campus is being particularly impacted by a lack of lab space; these issues will have immediate and long-term effects on both faculty recruitment and research progress. Current assignable square feet (ASF) is as follows: the Science and Engineering building is at 92,835 ASF (labs, offices, and instructional labs); classroom and office space is at 49,315 ASF; and there is 32,143 ASF at Castle. By 2011-12, a Social Sciences and Management building is being planned at 55,100 ASF. By 2012-13, there will be a smaller Science and Engineering 2 (SE2) at 50,800 ASF. There is a proposal to increase this building by 36,700 ASF at a cost of an additional $43.1 million. This would be funded by state general obligation bonds, state lease revenue bonds, or other University financing. Currently, UCM is building additional trailers and proposing $16 million to renovate Castle. Another issue is the space forecast for the campus. CPEC is the state-wide body that calculates how much space is need for students and faculty in certain disciplines. However, most faculty believe that CPEC numbers are underestimated. Demand is based on CPEC analysis, and agreed to by UC Merced and UCOP. Going forward from 2009-10, UCM supply is always under the CPEC estimated demand. UCM's mitigation strategy is modest with only a slightly larger SC2. Within two years, even with the larger SC2 building, UCM is only at 80% of CPEC adequacy. Another issue is the fact that UCM uses different categories (per discipline) than either CPEC or the other campuses do. This has resulted in an underestimation of the actual space needed.

DISCUSSION: There is a general concern that UCM will be in the red going forward for the foreseeable future. Towards reducing that trend, UCM's Administration is asking its units to cut costs by 3.5%. Chair Newfield is also concerned about both the ICR and the marginal cost of instruction (MCOI). Merced is trying to build a campus on funding that normally just supports existing, albeit more senior, campuses. While utilizing lecturers may be one way to reduce costs, Merced will not build its reputation through lecturers, but ladder-ranked professors. It has also been reported that an enrollment increase over 700 students will not be funded. UCM planners had projected that the campus would be self-sufficient in five years; it is clear that there was some underestimation of these budget costs originally. Members also pointed out that the lease of the Castle air force base seems to avoid developing the campus proper. Professor Heit explained that given the current permitting situation, Castle is a necessity right now. UCM's concern is that the Castle renovation could crowd out the building of SE2. Another issue is the slow speed of a return to the CPEC space standard. The third issue is methodological—because of the UCOP agreed-upon adequacy formula, UCM is being built more like a teaching college, and not really a research university. Members recommended a return to the CPEC methodology. It was also mentioned that UCOP is very reluctant to take on new debt for capital projects. Instead, UCOP prefers to pay as you go.

ACTION: Chair Newfield and Professor Heit will draft a comment letter on the Merced budget in time for the June Council meeting.

VI. Review of the Proposal for a School of Medicine at UC Riverside – *Norman Oppenheimer and Abel Klein*

ISSUE: Chair Newfield asked for any final comments on the draft letter on the proposed School of Medicine at UCR.

DISCUSSION: The UCR member remarked that there are not any seismic issues with any of the hospitals that Riverside will associate with; this section should be taken out. There is also no mention of building UCR's own hospital in the proposal; this should also be dropped from the letter. It will be stressed that the School should only be built if it can be properly funded as a UC-quality School.

ACTION: Chair Newfield will complete the final editing of the letter, and submit it to CCGA Chair Schumm.

VII. Systemwide Senate Review of the BOARS' Revised "Proposal to Reform UC's Freshman Eligibility Policy"—*Chair Newfield/Susan Gilman*

ISSUE: Chair Newfield remarked that one of BOARS' main contentions is that there are a large number of non-eligible students who have been disadvantaged by their socio-economic environment, who are actually more qualified than some eligible students. The proposed solution is to formalize comprehensive review via a category called 'entitled to review' (ETR). The proposal's recommendations are three-fold: 1) eliminate the SAT Subject Exam; 2) create an ETR category (completing 11 of the 15 A-G courses with a 2.8 GPA minimum at the end of 11^{th} grade); and guaranteed admission for much of the ETR pool. BOARS views the following formula for the guarantee as optimal—a statewide criterion of 5% based on a GPA/test-score index, and a within-school criterion of 12.5% by fully-weighted A-G GPA.

DISCUSSION: Chair Newfield stated that the initial proposal only had the first two features (elimination of the SAT subject exam and the ETR). In its subsequent revisions, BOARS added guaranteed admission to much of the ETR pool. Professor Gilman clarified that BOARS would view its second-round revisions as significantly expanding the guarantee of admission. Members were interested if the purpose of the expanded guarantee was to reduce the cost of review? Professor Gilman responded that the original problem that this proposal intended to address has been superseded by other rationales. While it is difficult to answer this question, Chancellors had indeed complained about the cost of review. Another member felt that cost was not a crucial issue, but how parents would view a substantially reduced eligibility pool. UCPB's main objection to the revised proposal is a general confusion about the main problem that it is trying to address, especially with the changes to the guarantee. Another member noted that the simulations show a decline in the numbers of Asian students and an increase in white students, with a small decrease in African American students. From a political perspective, this is quite dangerous. It was also mentioned that if implemented, the actual changes would only incur at the fringes, yet the University would incur substantial costs. This naturally begs the question of whether it is worthwhile to go through with this exercise. UCPB reached consensus that the purpose of the original proposal has been lost in the new revised proposal.

ACTION: Members approved the draft UCPB response to the BOARS eligibility proposal.

VIII. Proposed Amendments to UC Policy on the On-Campus Marketing of Credit Cards to Students—*Chair Newfield*

ACTION: UCPB endorsed the proposed policy change.

IX. New Business

There was not any new business.

X. Executive Session

The meeting was adjourned at 4:00 p.m

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