

**University of California Academic Senate**  
**University Committee on Planning and Budget (UCPB)**  
**Minutes of Meeting**  
**May 4, 2010**

**I. Announcements and Updates**

- *Peter Krapp, UCPB chair*

**April Academic Council Meeting**

Council voted unanimously to request systemwide Senate review of UCPB's Choices Report, and endorsed the UCPB/UCORP joint report on indirect cost recovery. Council also discussed feedback from the Senate review of UCPB's paper on differential fees and non-resident tuition. The review revealed a consensus against differential fees by campus and major, at least without more data, but the NRT issue was more contentious. Chair Krapp withdrew the paper, noting that its agreed-upon sections were also covered in the Choices Report.

Council approved forwarding to the President UCPB's and UCFW's memos about options for Post-Employment Benefits; however, Council did not endorse either letter because it considered the PEB recommendations a moving target and did not yet want to lock in an official Senate position.

Provost Pitts shared a draft recommendation for an alternate compensation plan that would allow outside sources of income to supplement faculty salaries. A joint Senate-Administration Compensation Plan Steering Committee that includes representatives from UCPB, UCFW, and UCAP is discussing the recommendation.

**Other Announcements:**

The Provost has asked UCPB to nominate a member to represent the committee on the Systemwide Library and Scholarly Information Advisory Committee (SLASIAC) for a three-year term. The Commission on the Future's Funding Strategies Working Group is no longer meeting and will not present a second set of recommendations to the Commission on the Future in June; however, other Commission working groups are expected to make a second round of recommendations in June.

**II. Consent Calendar**

1. Approval of the April 6, 2010 UCPB Minutes

**Action:** UCPB approved the April minutes.

**III. Consultation with UCOP**

- *Nathan Brostrom, Executive Vice President, Business Operations*

**Report:** This year will mark the first time that UCOP will delineate specific uses for the UCOP budget, which was \$525 million last year—including \$162m for core administration (0.7% of UC's overall budget); \$211m for systemwide academic programs, including the California Digital Library, UC Press, and Education Abroad Program; \$38m for multi-campus research units; \$62m for the Dept. of Agriculture and Natural Resources; and between \$30 and \$50m for other systemwide initiatives. Most of this money comes from non-state sources; \$225m is state funds; and \$80m is from common fund monies, which are derived from assessments on campus revenues generated from ICR, NRT, patents, and other sources.

The EVP considers this system outmoded and is developing a new funding model for UCOP and systemwide academic programs. Under the new model, UCOP would distribute the \$225m pool to the campuses and implement a 1.6% flat tax on all campus revenues, which campuses could raise any way they choose. UCOP would no longer be funded directly by state money. UCOP is now determining what base to use for this tax, whether the base should include research and private philanthropy, and whether medical centers should be taxed differently. The principles behind the new model include greater transparency and simplicity, and the notion that campuses should have an incentive to keep revenues they generate.

There is growing interest in moving UC campuses toward common administrative systems—e.g., integrated payroll and human resources—to save money. Bain Consulting determined that Berkeley could save up to \$75m through increasing strategic sourcing contracts, shared service centers, and e-procurement, and some of these strategies may be replicable across the system. EVP Brostrom is working with Peter Taylor on a long-term initiative to restructure campus financial systems, funded through low-cost commercial paper. UCOP recently introduced a new asset management tool that has helped double returns from the Short Term Investment Pool. UC also needs to develop strategies to increase the amount of private fundraising that goes to unrestricted endowments.

**Discussion:** Members noted that harnessing the power of ten through strategic sourcing must be approached prudently, with respect for local autonomy and successful local systems. It was noted that the proposed funding model does not address the historical funding formulas that have locked in a compounding legacy of inequitable allocation of state funds to the campuses. EVP Brostrom said the next goal is to fix this problem, but there first has to be a consensus about the rationale and philosophy for changing the formulas. Any plan should be phased in gradually.

It is difficult to explain why UC continues to build at the same time that it is raising fees and having a difficult time paying for other priorities. UC should postpone all new capital construction plans until revenues have recovered, and UCOP should send a clear message to campuses that UC is no longer in a growth mode. Moreover, UC needs to improve its space-cost metrics and move toward a neutral funding model for buildings. Even if funding for capital construction comes from a different source and the building is projected to pay for itself eventually, filling new buildings draws on General Funds, and campuses most absorb operating costs for those buildings now. UC may have the capital capacity to grow and build, but it does not have the revenue capacity to do so.

EVP Brostrom said UC needs to do a better job of accurately integrating multipliers like maintenance into long term cost estimates for buildings. Construction is slowing down, but at the same time, the construction market is favorable, with historically low bids for deferred maintenance and seismic upgrades. UC also has the benefit of a strong debt capacity and low interest rates for long term borrowing. Building revenue is more fungible. ICR can be used for other purposes like salaries and benefits. UC also needs to be more aggressive about increasing its direct and indirect cost rates and resisting waiver requests. Finally, he asked UCPB to consider the pros and cons of having segmented benefits plans for faculty and staff groups.

#### **IV. Consultation with UCOP**

○ *Patrick Lenz, Vice President, Budget*

**Report:** April 15 state tax receipts yielded \$1 billion less than what the state had budgeted. At this point, the probable best case is for the state only to meet its projections, which would still expose a \$20b budget gap. It is likely that California will receive no more than 50% of the \$6.9b federal stimulus dollars the Governor had included as an assumption in his budget.

There is good news. The three segments of higher education met in Sacramento on April 27 for a day of advocacy (in addition to the Senate Chair and Vice-Chair, several other members of the Academic Council participated in this effort, including Chair Krapp). The Governor expressed a strong commitment to support for higher education throughout the budget process, and pledged to not sign a budget deal without the support of the segments. While there is concern in Sacramento about the trade-offs between the higher education and health and human services budgets, there is also recognition about the effects of cuts to higher education on access for low income people. The Academic Senate has done a great job with advocacy this year. The Senate Chair and Vice-Chair also met with the Legislative Analyst to talk about the state's obligation to fund UCRP; the meeting helped instill a better appreciation in the LAO for how important the issue is to the University.

\$155m of the Regents' requested budget was associated with 15,400 unfunded students. In February, the LAO recommended \$168m for the UC budget, compared to the \$370m in the governor's January budget, which provides \$51.3m to address enrollment and assumes that \$65m in fee revenue would address 6,400 unfunded enrollments. The LAO has since changed its recommendation, recommending \$288m for UC. UC still supports the Governor's budget.

UC is asking the state to issue lease revenue and general obligation bonds to help the University meet its most critical capital needs, including seismic projects and the Merced Science and Engineering building. UC will have a better sense about the budget in the second week of June. It is impossible for UC to plan enrollment in the context of constant budget change and uncertainty. If the Legislature wants to have more influence and control over enrollment levels at UC, they should project enrollment over 3 to 5 years and fund it accordingly.

**Discussion:** Does systemwide capital planning inform academic planning on individual campuses? It is hard for faculty to understand why construction continues when everything is shrinking. The long-term revenue models for new buildings do not provide for excellence in those buildings in terms of funding for competitive salaries, research facilities, etc. In addition, the Choices Report notes that UC lives with space metrics that do not accurately measure temporary, marginal, and off-campus space, or recognize unmet space and infrastructure needs.

VP Lenz noted that when campuses submit their ten-year academic and capital plans, UCOP checks to ensure their growth models are consistent and include a sound business case scenario. He said "Start and Starve" no longer makes sense, and he expects the focus of capital planning to shift to seismic and other renovations of existing buildings. UC needs a medium-term plan to change the politics of the state around support for higher education, revenues, and the budget process.

## V. Consultation with UCOP

o *Kate Jeffery, Director, Student Affairs (by phone)*

Director Jeffery briefed UCPB about existing guidelines for the use of graduate student financial support funds, the underlying rationale for the use of systemwide funds, and proposals from the Council of Vice Chancellors for modifying the guidelines to provide more flexibility.

She said the 2007-08 Matching Funds Grant program provided a \$10 million systemwide allocation for graduate student support, but required campuses to provide a matching augmentation to graduate student financial support from campus funds, and to maintain this level of funding, to be eligible for future augmentations. In light of the budget crisis, it is seen as unrealistic to hold campuses to this requirement, so UCOP is proposing to remove the unfunded mandate, increase flexibility in how campuses can use this pot of money, and fold the \$10m allocation into the Graduate University Student Aid Program (GR-USAP) pool, which is funded

by return-to-aid. Another proposal is to remove the requirement that students receiving GR-USAP awards qualify as financially needy under federal rules. The change will help reduce workload and ensure that the awards are based on academic merit. Currently, UCOP assumes that money allocated to a campus for graduate student support will be used it for that purpose. There is no auditing mechanism so the mandate was difficult to enforce.

## **VI. Initial Recommendations of the UC Commission on the Future**

UCPB reviewed draft responses to the first set of Commission on the Future recommendations. Some are culled from arguments in Choices Report subchapters. Other responses to specific recommendations were drafted by UCPB volunteers. The committee discussed each recommendation briefly.

Don Senear, UCPB's representative to the joint Senate-Administration Compensation Plan Steering Committee, also briefed UCPB about the Provost's proposal for an alternative compensation plan, which would allow main campus faculty to pay themselves a salary supplement from non-state sources, in place of the current off-scale salary component, similar to the "y" component of the Health Sciences Compensation Plan. He said individuals would negotiate annually with their chairs to participate in the plan, and UCRP would not cover the additional compensation. There is concern that because off-scale components are nearly universal at UC now due to UC's uncompetitive salary scales, such a plan would essentially replace academic merit with the ability to generate grant funding. Moreover, the plan does nothing to address the 11.2% lag in the UC salary scales, and would provide a small bonus only to a small fraction faculty who have the ability to pay themselves from grant funds. If the faculty member participating in the plan loses his or her grant funding, UC will not pick up the lost component. The plan decreases UC's incentive to fix the base salary scales and increases the incentive of participants to buy-out teaching, which is incompatible with the principle of a comprehensive research university.

**Action:** UCPB will finalize the responses over email and transmit to Academic Council.

## **VII. "Stop Loss" Ideas**

**Issue:** Chair Krapp asked UCPB representatives to identify specific areas on their own campuses that are either losing money or that lack adequate support from the state or other funding sources, and thus strain campus resources and are unsustainable in the new budget reality. UCPB is not in a position to implement such cuts, but the suggestions can help guide partners in the process internally. Many administrators remain in denial about the seriousness of the budget situation.

**Discussion:** Members noted the importance of identifying cuts that do not harm UC's core teaching and research missions. Several members suggested specific mergers, consolidations, and/or closures of schools, divisions, departments, or programs in ways that could eliminate administrative redundancies, and also mentioned units that are not self-supporting. It was noted that reducing the number of specialized majors and converting them to omnibus majors could add flexibility to teaching and scheduling and reduce costs.

UCB sees opportunities for new efficiencies and economies of scale both on the administrative side, and through the sharing of academic resources across UC campuses, among smaller language departments, for example. The Berkeley Senate has merged its IT and library

committees, and faculty there and on other campuses want to eliminate some intercollegiate athletics teams. UCR and UCSB plan to consolidate administrative staff in some departments, and UCSC is planning external reviews of all non-academic divisions and the administration. Some campuses want to increase efficiencies around IT and educational technology services. One of the biggest opportunities UCSF sees is merging the independent IT systems used at the Medical Center and for the general campus, but there is resistance to change. Merced has fewer opportunities for cuts, but sees opportunities in administration and in terms of better scaling of business practices. Up to now, UCSD has been tapping into reserves and taking on a large loan to avoid cuts, delaying hard choices that have now become unavoidable.

### **VIII. University Committee on Faculty Welfare Memo on Fiscal Crisis Mitigation Options**

UCFW has asked UCPB to review and comment on its memo and resolution about fiscal crisis mitigation options. UCFW Chair Shane White and Academic Council Vice Chair Dan Simmons joined by phone. 2010-11 Council Vice Chair Elect Robert Anderson was also present. The resolution is to 1) freeze hiring of ladder-rank faculty with state funds and limit the replacement of faculty separations to 10%; 2) institute a moratorium on all new construction projects; and 3) require Chancellors to identify specific offsetting FTE cuts in other campus programs when they establish a new academic program.

**Discussion:** Chair Krapp noted that UCPB is hesitant about interfering with individual campus planning. The Choices Report is clear about the committee's views, and addresses, in a more nuanced form, the points in UCFW's resolution and concerns about post-employment benefits.

Chair White, Professor Anderson, and Vice Chair Simmons noted that campuses so far have been unwilling to recognize the seriousness of the crisis and make tough decisions; they argued that the systemwide Senate must step up to sound the alarm at Council and to the campuses. UCFW's resolution is consistent with the Choices Report; UCPB and UCFW have complimentary missions; both should collaborate on recommending specific measures that will help carry UC through the immediate crisis. Vice Chair Simmons added that if the Senate is willing to advocate downsizing the University, it should also be willing to support reducing the size of the faculty. He emphasized that the resolution is meant as an interim, short-term action, not an indefinite guide. The Senate should not let a desire for perfectionism delay action.

In general, UCPB members agreed with UCFW's 2<sup>nd</sup> resolution about the need to institute a moratorium on all new construction projects. There were reservations about UCFW's 1<sup>st</sup> and 3<sup>rd</sup> resolutions. Members felt they had merit, but did not go far enough to emphasize that priority should be giving to protecting academic programs and faculty jobs above administrative jobs. In addition, strong statements should accompany these resolutions emphasizing the primary importance, above all else, of maintaining competitive total remuneration and post employment benefits for current faculty.

It was noted that the campuses are already shrinking their faculties. The resolution should be informed by the notion that faculty separation rates vary widely among campuses, campus specific hiring goals, and models for how such a policy would change the distribution of the faculty over time, normalizing for campus age and size. It was also noted that UCOP should take the lead in the effort to educate the campuses about the potential uses of debt capacity, including pension obligation bonds.

**Action:** A motion to respond in depth to UCFW was made, seconded, and carried unanimously. UCPB will respond in writing before UCFW's next meeting, May 15.

## **IX. Compendium Task Force Report**

**Action:** UCPB deferred discussion to June.

## **X. Professional School Fee Proposal**

David Lopez and Don Senear submitted draft comments to pre-proposals for nine professional degree fee proposals, two of which are for new academic programs that have not yet been reviewed or approved. In addition, the provost asked the Senate to address three policy questions regarding what distinguishes a “professional” degree program from an academic degree program; what criteria determine when it is appropriate to charge a professional degree fee; and what criteria determine whether a program should be self-supporting or state supported?

The draft does not address the three specific questions, but notes that it would be inappropriate for UCPB to comment on the merits of specific proposals at this stage, because they were submitted as preliminary proposals. The new proposals should undergo campus review before coming to the systemwide Senate. In addition, the Senate, and UCPB commented on criteria in December 2006, and the current understanding continues to be a clear and reasonable guide. e.g., professional degree programs train, as opposed to educate, for a specific occupation. The draft notes that although more guidance about appropriate comparison institutions for PDFs would be useful, UC admits graduate students on the basis of academic excellence, not financial need.

**Discussion:** The line between professional and academic degrees can be vague- e.g. the master of fine arts at UCSD, but in general the definitions are traditional and well established. One should be careful about basing definitions too much on expectations for future earnings.

**Action:** The lead reviewers will incorporate the comments from the meeting into the draft.

-----  
The meeting adjourned at 4:10 pm  
Minutes prepared by Michael LaBriola  
Attest: Peter Krapp