

University of California Academic Senate
University Committee on Planning and Budget (UCPB)
Minutes of Meeting
June 2, 2009

I. Consent Calendar

1. Approval of the June 2, 2009 UCPB Agenda
2. Approval of the April 7, 2009 UCPB Minutes

Action: UCPB approved the consent calendar.

II. Announcements and Updates

- *UCPB Chair Patricia Conrad*

Report: Chair Conrad summarized highlights of the May Academic Council meeting and other UC news of interest.

- UCOP issued a [strong statement](#) last week in response to State Senator Leland Yee's proposed bills—ACA 24 and [SCA 21](#)—which would ask voters to repeal the historic autonomy of the University of California and put it under the direct control of the California Legislature.
- Council completed its review of a proposed Regents Standing Order that provides a framework through which the President could ask The Regents to declare a state of financial emergency and grant the President special authority to implement temporary furloughs or salary reductions at individual campuses or across the UC system. Council declined to endorse the policy but forwarded suggested modifications to the President. Chair Croughan noted that the President currently has authority to implement pay cuts without consultation with the Senate, but the new policy allows for the implementation of furloughs and institutes a consultative process. The President is committed to working with the Senate to develop a specific set of procedures for Senate consultation prior to implementation of either furloughs or pay cuts.
- Council endorsed a UCFW Task Force on Investment and Retirement report recommending a more immediate and dramatic increase in employee and employer contributions to UCRP than what was approved by the Regents in order to address severe accumulated liabilities in the plan brought on by a bad economy and an 18-year period without contributions.
- Council endorsed UCPB's budget principles, with modifications and forwarded them to the Advisory Group for Budget Strategies, which is discussing different options and scenarios for cutting costs and generating revenue in addition to furloughs and pay cuts. One Advisory Group administrator challenged a claim made in the principle added by Council, which said that salaries and payments to UC's most highly compensated employees have outpaced faculty and staff increases. UCOP agreed to provide campus and systemwide data on this topic to UCPB and the Senate.
- Senior Vice President for Compliance and Audit Sheryl Vacca met with the Academic Council to discuss the role of her office and the various compliance measures required of faculty members.
- Vice Chair Oppenheimer attended the Academic Council Special Committee on Lab Issues and reported that a proposed transfer of the National Nuclear Security Administration from the Department of Energy to the Department of Defense does not appear to be imminent.

Discussion: It was noted that the need for Academic Senate and individual faculty involvement in advocacy is greater than ever before. The Senate should oppose the Yee legislation vigorously, both by adopting as Senate policy strong support for preserving UC's Regental independence, and through individual communications from faculty to legislators. UCOP could also help faculty communicate with state leaders by providing a set of talking points or a communication template. In addition, UC needs to work with CSU and CCC in a united front to advocate for higher education in California. It was also noted that UCPB and the Senate must be closely involved if and when UCOP releases a plan for furloughs or pay cuts over the summer.

Action: A motion was made and seconded that UCPB should ask the Academic Council to endorse a resolution in opposition to the Yee legislation and to request UCOP's support in enabling faculty advocacy. The motion passed unanimously.

Action: UCPB members will hold July 7 for a conference call. Chair Conrad will explore the possibility of getting approval to hold another in-person meeting in either July or August, if needed.

III. Budget Consultation with the Office of the President

- *Vice President for Budget Operations Patrick Lenz*

Report: The worsening state fiscal situation and the failure of the May 19 Special Election ballot initiatives have serious implications for the UC budget. The Governor's post-election May 26 budget revisions propose an additional \$3 billion cut to the 2009-10 state budget for a total of \$8B in cuts over two years, based on a new Legislative Analyst estimate that California faces a \$24B budget deficit as a result of the failure of the propositions. His revised proposed 2009-10 budget for UC maintains earlier cuts of \$50 million and \$255 million to the University, adds another \$50M one time reduction, and eliminates \$31M in outreach programs. In addition, the May 26 revision cuts UC an additional \$207.5M for 2008-09 on top of \$510M in previously proposed cuts and another \$167.5M reduction for 2009-10 and 2010-11. In short, UCOP estimates that the Governor's revisions will result in a net state funding reduction to UC of \$619M, or 19%. Compounding this problem, UC faces unfunded enrollment and mandatory cost increases of \$335M over the two-year period. Fee increases already approved for 2008-09 and 2009-10 fill only about \$211M of the shortfall.

There is a high level of uncertainty about the final impact to UC because the situation is rapidly changing and any change to the overall state budget also impacts the University's budget assumptions. Without knowing the final number, it is difficult for UC to respond comprehensively to the cuts. Some of the cuts to UC are supposed to be offset by \$640 million in federal Economic Recovery Act (ERA) funding, at least on a short term basis, but some of those funds will not be available until the Legislature adopts a budget. The Governor assumed in his initial May budget revision that the state would be able to secure and use \$5 billion in Revenue Anticipation Warrants—a short-term loan mechanism the state uses on an ongoing basis, normally to help maintain cash flow—as a budget balancing mechanism, but it does not appear that the federal government is willing to back these loans.

Additional fee increases and furloughs or pay cuts for faculty and staff, are all being discussed, but a one-day furlough per month for 12 months nets only \$124 million and an additional 10% fee increase nets \$84 million, which does not go far to cover the gap. The Regents will discuss these issues in July.

The President is unhappy about the Governor's proposed cuts to the Cal Grant program, because some of the assumptions of the Blue and Gold Opportunity Plan depend on Cal Grant funding. As a result of the federal tax credit and the increased Pell Grants, more than 81 percent of the families below \$180,000 in household income will not be impacted by the recent 9.3% fee increases, but in the new funding scenario, only 31% are covered. The Intersegmental Coordinating Committee is putting together a compromise proposal as an alternative to the proposed cuts to Cal Grant.

The Budget Office is advising UC to focus on the State's gradual but steady disinvestment in higher education over the past 20 years—for example, since 1990 the average per-student state general fund expenditure has declined by 50%, while student fees have more than doubled. This is a long term problem, however. The state will not be able to reinvest in higher education soon. Moreover, the magnitude and timing of the budget reduction will force UC to take an immediate look at its priorities and options for cutting costs.

Discussion: It was noted that the Legislature does not appear to have an identifiable strategy for addressing the budget crisis or clear goals about what it wants to achieve through cuts. The implicit message from the state and the economy is that UC has to consider moving to the University of Michigan model. Unless UC reduces enrollment to state-funded levels, it sends a message to the state that it can afford to educate more students for less money.

Some of the proposed options for implementing furloughs—burying them in vacation time, for example—would make the impact invisible. UC needs to make a statement about the impact pay cuts or furloughs would have on educational quality. If a professor is expected to contribute 40% research, 40% teaching, and 20% service, the furlough should be implemented in a corresponding way so faculty can document the real impact on teaching and learning.

IV. Report on the Education Abroad Program Task Force

Issue: UCPB Santa Barbara representative Bjorn Birnir is a member of a joint Senate-Administrative Task Force on the UC Education Abroad Program (EAP), which is advising the Provost on EAP's future and has written a preliminary report recommending a restructuring plan for EAP. Professor Birnir submitted a separate report to UCPB expressing concern about the direction of the Task Force, noting that the Task Force is proposing dramatic cuts and a reduced role for faculty while the majority of decision makers have too little knowledge of EAP to appreciate what the faculty-run Study Center model contributes to the academic quality of the program. Some administrators on the Task Force inappropriately consider EAP to be a student service rather than an academic activity.

Discussion: Senate Chair Croughan noted that there is a strong administrative push to implement cuts to EAP. Associate Senate Director Todd Giedt added that a number of work groups are developing budget plan alternatives that will be presented at the next EAP TF meeting on June 19. UCPB members agreed that the EAP governance committee proposed in the Task Force

report should have representation from faculty who are well-informed about EAP. It was noted that 15% of EAP's budget was historically used to fund faculty involvement and oversight, but the new proposed amount is 5%.

V. Report on the Status of IUCRP and the PDPE

- *Peter Krapp*

Report: Peter Krapp recently attended meetings of the Industry-University Cooperative Research Program (IUCRP) Steering Committee and the UC Task Force on Planning for Professional and Doctoral Education (PDPE) as UCPB's representative. The Office of Research and Graduate Studies (ORGS) is undergoing a high level reorganization, merging and consolidating several of its units to increase efficiency and competitiveness. IUCRP is one of four systemwide University-Industry partnership programs that awards basic research grants to UC faculty using corporate matching funds. Although the matching grant programs will continue, IUCRP will cease to exist independently. The Steering Committee will also dissolve and be replaced by an advisory committee covering all organized research efforts.

In addition, ORGS has articulated a set of goals related to graduate student financial support, noting for each goal a corresponding accountability measure that is intended to track how each goal is being met, a budgetary benchmark to assess the resources needed, and a strategy to meet each goal. The PDPE will continue to exist as an advisory body on graduate student funding issues.

Discussion: Senate Vice Chair Powell remarked that many experienced and dedicated staff have lost their jobs in the reorganization. It was noted that Vice President Beckwith should clarify the exact staffing and payroll changes in his presentation to Academic Council. There was also a question about how the goal of increasing graduate student enrollment aligns with the other goal of curtailing undergraduate enrollment.

VI. Consultation with the Office of the President

- *Randy Scott, Executive Director HR Strategic Planning & Work Force Development*

Total Remuneration Study: UCPB discussed findings from the 2009 Total Remuneration Study in Executive Session.

VII. Systemwide Senate Review Items

1. Division of Agriculture and Natural Resources Academic Program Review Final Report and the Cooperative State Research, Education, and Extension Service External Review

Report: Mat McCubbins and John Ellwood submitted a draft UCPB evaluation of the DANR program review final report. Professor McCubbins noted that DANR appears to want to transform its mission into one more focused on agricultural and natural resource sustainability in population growth, land use, water and energy supply, climate change, transportation, and urban and rural community health and well being. It also wants to engage a more diverse range of stakeholders and expand its reach from the three primary UC ANR campuses to include faculty

from all campuses and a broader range of disciplines. But he said the review includes little in the way of specifics and leaves major questions unanswered. For example, it does not address how DANR will need to change to meet its goals or the planning and budget implications of that shift; it does not set accountability benchmarks; and does not indicate how or when the recommendations will be implemented. The UCPB memo asks DANR to respond with a suggested plan for achieving its targets, measurable benchmarks, and a commensurate budget.

Discussion: Members noted that DANR appeared to approach the review from a somewhat limited scope, seeking to answer only the four questions former Provost Rory Hume put forth in his charge letter. Readers are left wanting more information including; why DANR is on three UC campuses only; why DANR has FTE at UCOP; how the goal of additional multi-campus research project will be an added benefit to the system; and how those endeavors will be funded. It was noted that an Academic Senate DANR workgroup released a [1999 report](#) that makes specific recommendations.

Action: Pat Conrad, Jim Chalfant, and Warren Gold will join the subcommittee to work on a revised draft for review over email.

2. BOARS' Proposed Principles for Non-Resident Enrollment

Issue: A UCPB subcommittee—Peter Krapp, Mary Gauvain, and Evan Heit—drafted a UCPB response to a set of principles submitted to Council by the Board of Admissions and Relations with Schools to help guide decisions about the enrollment of non-resident undergraduates. UCPB's memo takes a different position than BOARS, noting that UC would be justified in increasing non-resident enrollment because it is already meeting its obligation to admit California residents and enrolls a very small number of non-residents compared to other institutions. Non-residents may actually increase diversity, and the extra revenues generated from tuition-bearing non-residents will enhance the resources needed to keep resident fees low and maintain quality in the absence of sufficient state funding.

Discussion:

- UC faces a paradox because the State of California has conflicting goals: it wants to keep fees low and maximize access for California residents, but it does not appear willing to give UC adequate funding to maintain quality. Although UC has room to increase non-resident enrollment without necessarily displacing a single resident applicant, increasing their numbers while curtailing resident enrollment may hurt UC politically. Middle class Californians may also view such an increase as UC taking space away from them.
- California itself is highly diverse and will not become more diverse by enrolling more wealthy East Coast students.
- UCLA and UCB receive many more non-resident applications than other campuses. If UC does allow campuses to admit a significantly larger number of non-residents to generate new revenue, it will raise concerns about campus stratification, which both UCPB and the Senate have opposed. In the event that non-resident enrollment increases, there should be a plan to ensure that other campuses receive a share of the fee revenue.
- It was noted that UCPB and the Senate have opposed the idea of UC moving to a high fee funding model similar to the University of Michigan. Enrolling a large proportion of high fee bearing non-residents would move UC closer to that model.

- The Senate may lose credibility in its opposition to graduate non-resident tuition if it supports enrolling more non-resident undergraduates to raise money. Nothing should be done to undergraduate enrollment and fees that might have an adverse effect on graduate education.
- There may be too much emphasis on the Master Plan and UC's "land grant" mission. Other land grant institutions enroll a much higher percentage of non-residents.
- The budget message UCPB has been hearing all year is that UC must begin to consider new and creative ways of generating revenue for the University. The issues coming before the Senate in both the short and long term will have to be considered more than ever before in a budget- and revenue-specific context.

Action: Committee Analyst LaBriola will incorporate the relevant points from the discussion into a revised draft.

3. UCORP's Proposed UC Seminar Network

Issue: The University Committee on Research Policy requests Council's endorsement of its concept paper describing a proposed initiative to establish a UC Seminar Network.

Discussion: There was a suggestion that UCPB endorse the proposal. It is a grassroots faculty effort rather than top down proposal. This will not be faculty replacement technology. It was noted that ten years ago Stanford began selling seminar subscriptions to neighboring industries. Stanford also offers access to performances and recitals as an alumni association perk. The Seminar Network could be a potential means of generating revenue.

But members noted that UCPB should not endorse the proposal at any cost. Some members expressed skepticism that costs can be kept low. They felt the proposal presented an unrealistic vision of cost. They agreed with UCCC, which noted that the budgetary requirements have not been adequately addressed. Before making a commitment, the budgetary requirements need to be clearer. UC also should avoid becoming locked into a mode of technology that may become obsolete in a few years. Finally, one member also took exception to the proposal's suggestion that not all disciplines have seminars, because every corner of the University will have some kind of guest presentation they will want to treat this way.

Action: Committee Analyst LaBriola and Chair Conrad will draft a memo based on comments.

VIII. Student-Faculty Ratios

- Vice Chair Norman Oppenheimer

Issue/Report: Vice Chair Oppenheimer presented his draft report about the history and current funding model for student faculty ratios, problems associated with that model, and alternatives for restructuring. Slides accompanied the presentation. He said UC is viewed by many as primarily an undergraduate institution, but it is UC's graduate research that creates new knowledge and drives economic development in California. It is important for more people, particularly key decision makers, to understand the history of the UC SFR and funding system.

Until 1979, UC faculty were supported by a system that assigned separate weights to different types of students based on the ratio of faculty effort necessary to support each. It valued a lower division undergraduate at 1, an upper division undergraduate at 2, and a graduate student at 3.5.

In 1979, UCOP assigned resources to campuses based on these weights using their total graduate and undergraduate population, and out of this, the state developed a single student-to-faculty ratio (SFR) composite funding formula to fund undergraduates and graduates at 14.5:1. This established each campus's funding base, and new programs and students supported by annual enrollment growth were added to the base each year. UC used enrollment growth at the 14.5:1 ratio to support undergraduates and new or expanded graduate programs. For example, the 14.5:1 SFR supported 20% growth in graduate programs at an 8:1 SFR and undergraduate growth at a 19:1 SFR.

A shift occurred in the 1980s when graduate program growth slowed, undergraduate enrollment increased, and people began to view SFR in terms of undergraduate education only. During the budget crisis of the early 90s, the state-funded SFR dropped to 18.7:1. Salary cuts also forced campuses to redirect FTEs to other areas such as off-scale salary increments for hiring and retention, resulting in an erosion of the actual SFR. In the late 90s, new graduate programs were being approved again, but at an 18.7:1 ratio. Today, the state does not fund enrollment growth at all, leaving UC with 11,000 unfunded undergraduates, further damaging graduate programs. UC's original agreement with campuses was that graduate programs should have access to the necessary resources for their proper support, but UC now expects campuses to fund them out of the current 18.7:1 ratio and with enrollment growth funds they are not receiving, and refuses to provide funding for a smaller SFR appropriate for graduate instruction. Campuses either do not have money to start new programs or "start and starve" them.

UCSD was able to join the "first tier" of UC research campuses because it began with a higher proportion of graduate students and locked in a more favorable funding base in 1979, while campuses with no legacy base had to grow graduate programs later in a less favorable financial environment.

The assignment of resources based on weighted students locked in campus tiering, but the current composite SFR system also has pros and cons. It gives campuses the independence and flexibility to establish and expand graduate programs, but it also hides underfunding, leads to the start and starve problem, and makes graduate education funding dependant on undergraduate enrollment growth. UC's goal to expand graduate education is impossible under current composite system.

Discussion: It is important to disseminate the information in the report, but it should not be considered in isolation, because it is essential background for a broad range of budget and planning issues being discussed by the Senate and administration. UCPB could use the report as part of an effort to examine the historical choices and consequences of base budget funding models, how base budgets are set and how funding is distributed among campuses currently, and future prospects—tying the information to a host of key problems, showing their interconnectedness, and recommending alternative models UC should consider in order to survive and maintain quality. It was also noted that the Senate should go on record acknowledging the demise of the four salary scale catch-up plan approved by the Regents two years ago. It is critical that new information from the Total Remuneration Study be disseminated to a wider audience.

Action: UCPB unanimously passed a motion to strongly recommend that the Total Remuneration Study presentation be made available to the Academic Council in June.

Action: The committee will take up the SFR issue again in the fall.

IX. Priorities for 2009-10

Follow up to the Cuts Report: UC currently inhabits the moment that the Cuts Report anticipates, albeit in an even worse scenario than any the report had predicted as a possibility. UCPB should think about the components of a follow up to the Cuts Report between now and September, and if possible prepare something for the next UCPB.

Redesigning UC in Response to Long-term Budget Cuts. The Academic Planning Council will be discussing this issue next year, and UCPB is in a key position to provide creative input.

Action: Members gave Chair Conrad a round of applause in appreciation of her service as chair. Chair Conrad thanked the UCPB members and our analyst for their commitment and exceptional team effort in such a challenging time. UCPB members agreed to meet via teleconference and/or in person as needed in July and August to address the ongoing budgetary and planning issues.

The meeting adjourned at 4:00 pm
Minutes prepared by Michael LaBriola
Attest: Patricia Conrad

Distributions:

1. TFIR Recommendation to Assure Adequate Funding for UCRP
2. Fiscal Impact of Governor's May 26 Proposals
3. Draft UCPB memo re: DANR
4. Student-Faculty Ratios PowerPoint presentation