

**University of California Academic Senate**  
**University Committee on Planning and Budget (UCPB)**  
**Minutes of Meeting**  
**October 6, 2009**

**I. Chair's Announcements and Updates**

- o *UCPB Chair Peter Krapp*

**Report:** After brief introductions, Chair Krapp welcomed UCPB members and reviewed the charge of the committee. UCPB makes recommendations to the Academic Council on a broad range of policy issues affecting planning and budget and may also initiate its own studies and policy reviews. Members are encouraged to participate actively and take on extra duties as assigned. They should communicate with their local committees about system-wide issues and discussions, and in turn, share local concerns and issues with UCPB. Ten in-person meetings have been scheduled, but two will likely be canceled or replaced by shorter teleconferences to meet the eight meeting budget target. A member who cannot attend a meeting should find an approved alternate with the help of their division.

This year, UCPB is expected to monitor the progress of budget negotiations in Sacramento; track the implementation and impact of furloughs; analyze opportunities for achieving local and system-wide budget efficiencies; assess the degree to which local budget committees have access to information and input into decision-making; analyze UC's choices for enrollment, fees, and graduate student funding; and work with other Senate committees on issues of common interest and concern. UCPB also may update its 2008 ["Cuts" Report](#) (which along with the preceding "Futures" Report is archived on the Committee website) to reflect the new budget reality by revisiting and updating old analyses and conducting new analyses about potential options for cuts and their impact.

The [UC Commission on the Future](#)—aka "The Gould Commission"—and its five Working Groups will be discussing how UC can best serve the State and maintain access, quality, and affordability in a time of diminishing resources. Its recommendations are due in March, and UCPB should be prepared to respond to the Commission's recommendations by developing a clear sense of its own positions and priorities for the future direction of UC.

UCPB meets with a range of administrative consultants who advise it regularly. The Committee will fight to ensure that shared governance is honored, that adequate Senate input is solicited, and that the input is taken seriously. Chair Krapp will attend meetings of the Academic Council, the Academic Planning Council, the Special Committee on Lab Issues ([ACSCOLI](#)), and the Budget Advisory Group, and James Chalfant will continue as UCPB's liaison to the Post-employment Benefits Work Group.

At its September meeting, the Academic Council discussed budget issues, the Gould Commission; concerns about the tone of the President's interview with the NY Times; the Intersegmental Committee of Academic Senates' plan to convene a Task Force on the California Master Plan; a oft-repeated myth about a \$5.3b UC budget reserve; the work of the Compendium Task Force; and a possible pilot project to develop a large enrollment system-wide online course.

## II. Consent Calendar

### 1. Approval of the October 6 2009 UCPB Agenda

**Action:** UCPB approved the consent calendar.

## III. Budget Consultation with the Office of the President

### o *Vice President for Budget Patrick Lenz*

**Report:** California continues to face severe economic challenges and is unlikely to recover in the near term. The Director of Finance told the Regents at their September retreat that the best case scenario next year is a \$7-8 billion budget gap. In November, the Legislative Analyst's Office will release its fiscal outlook for the State and recommend an approach to the Legislature.

The UCOP Budget Office is consulting various constituencies about UC's strategy for the 2010-2011 budget "ask" in Sacramento in preparation for the comprehensive package of recommendations it is assembling for the Regents to vote on in September. UCOP is recommending a 15% mid-year student fee increase this year a second 15% increase in 2010-11. UC's budget strategy traditionally has included a request to the State to buy out student fees, but nobody believes that the State can provide UC with \$1 billion next year—\$600m to return the University to 2007-08 funding levels, and another \$378m to make up for the two fee increases.

UCOP has recommended a differential fee for upper division business and engineering students, basing its analysis on cost, for engineering, and market demand, for business. Making this fee mandatory rather than campus discretionary might preserve Cal Grant eligibility for affected students; however, the Gould Commission will need to consider potential impact on access, affordability, and quality of the UC. UCOP is also exploring an increase of the Blue and Gold Opportunity Plan threshold from 60k to 70k to help improve financial aid for students from low- and middle-income families. As undergraduate over-enrollment now tops 14,000 and UC's unfunded enrollment deficit grows to \$155m, UCOP is recommending a second year of the enrollment curtailment plan, which will reduce freshmen enrollment by 2300 and increase transfer enrollment by 500.

Vice President Lenz said that although UC's total State funding shortfall is at least \$1.4b, he believes the best budget strategy is one that is realistic and does not obscure UC's most critical needs, which are restoration of the \$305m one-time cut from 2009-10 and \$96m to fund the UC Retirement Plan. UC will also renew its annual asks of \$400m for general campus projects and \$100m for health sciences projects, and is collaborating with all CA higher education segments to urge the State to protect Cal Grants. CSU is being forced to enroll 30k fewer students this year and CCC is expecting 250k fewer students, so it will be a particular challenge to convince the State to live up to its obligation and responsibility to fund UCRP when access is such an issue.

He said it is hard to predict how UC will fare at the end of the budget process, and asked for suggestions as to UC's best options if the State does not restore the \$305m cut. He noted that UC is engaged in advocacy efforts—to lobby legislators and recruit business and community leaders, alumni, and friends to help make the case for UC. UC is also devising a plan to secure the gubernatorial candidates' commitment to higher education. He said the State invests \$46k for

each new prison inmate, but cannot find \$11k for new students. While California is obligated to invest in higher education, the short and long term budget outlook for the State is dim. The Governor and Legislature used a variety of solution to address the 2009-10 gap, but some, like the sales tax, and are temporary and will reset in 2013.

**Discussion and Comments:** It was noted that UCPB and other Senate faculty are concerned that the differential fee proposal was brought to the Regents before the Senate had a chance to review it. Members also noted concerns about the impact of higher graduate student fees, about capital planning and “faith based” construction plans in an era of budget and enrollment cuts, and about the impact of removing money from the operating budget to fund debt service. VP Lenz noted that UC needs external funding to complete capital projects and address seismic and other safety issues and would also like to a November 2010 bond ballot measure for capital facilities projects. There was a suggestion that UC restore pay cuts for faculty only, and it was noted that UC could lose money by reducing enrollment.

### **III. Consultation with the Office of the President**

- o *Executive Vice President and Chief Financial Officer Peter Taylor*
- o *Executive Director of External Finance Sandra Kim*

**Report:** Peter Taylor and Sandra Kim joined UCPB to present an overview of UC’s borrowing programs and its goals and objectives in using debt to finance long-term capital assets, such as campus and medical center buildings, as well as shorter-term projects.

UC uses the full credit spectrum to accomplish a variety of objectives. Its highest-rated debt vehicles include General Revenue Bonds (GRB), which UC issues to fund core academic buildings. GRBs are UC’s premier system-wide credit vehicle, have the highest possible credit rating, and are backed by general UC revenues, excluding State appropriations and Medical Center revenues. Rated a notch below GRBs are Limited Project Revenue Bonds (LPRB), used mainly for simpler auxiliaries projects like housing and parking. LPRBs are backed by auxiliary revenues. Medical Center projects are funded separately through Medical Center Pooled Revenue Bonds and backed by Medical Center revenue.

UC also uses a number of lower rated structures with less debt capacity impact for third-party projects. These include the Financing Trust Structure bonds, currently used only by two UC Irvine projects. Customized Master Lease Structures are used mainly for simpler third-party projects derived from the campus. Another financing mechanism that has a credit impact for UC is the State Public Works Board Debt, a lease revenue bond the State issues on behalf of UC. The latter is distinguished from State general obligation bonds, voter-approved State debt issued for specific purposes. UC is phasing out older credit vehicles such as the Multiple Purpose Project Bonds, Certificates of Participation and stand alone hospital revenue bonds.

The vast majority of outstanding UC debt is in GRBs, with nearly \$6 billion outstanding, and LPRBs, with nearly \$1.4 billion outstanding. UC has been able to structure its bonds to eliminate the need for inefficient reserve funds, but its debt is heavily front loaded. UC is planning to restructure a portion of its existing debt by pushing more of the debt principal further into the future, and also is looking at ways to restructure auxiliary debt. The latter could give UC more financial flexibility in a difficult time.

The Office of Finance believes that the academic plan should drive capital strategy, even if the result could ultimately have a negative impact on bond ratings, and UCOP views its role as helping campuses meet their own identified capital needs and goals. The external funding approval process starts when a campus submits a capital project request with an analysis of financial feasibility. Several UCOP units, including the Offices of General Counsel, Budget, External Finance, and Real Estate, then evaluate the project and feasibility. The Regents have ultimate authority over proposed capital projects and any necessary bonds.

Each external financing request must identify a fund source to repay the obligation, which might include tuition and fees, indirect cost recovery, and money generated from educational activities and auxiliary services. There are currently \$2 billion worth of projects in the pipeline that have received Regents' approval and need to be financed. In August, UC borrowed \$1.3 billion at an all-in subsidized cost of 3.97% to fund 70 capital projects related to seismic and safety, deferred maintenance, student housing, and academic buildings. UCOP is engaged in a new initiative to improve the alignment of its processes with UC's external debt capacity and the desire of campuses for greater flexibility.

The State will/has repeatedly defer(ed) payments to UC this current fiscal year. UC has used its excellent credit rating to issue commercial paper to generate flexible interim capital to meet payroll and other short-term goals. In August, UC responded to the state's suspension of bond funding by issuing taxable commercial paper to purchase a state General Obligation bond of approximately \$200 million. The bond allows the State to resume funding of important UC projects that are time-sensitive or near completion. UC's interest rate on the commercial paper is lower than the interest rate (3.2%) the state is obligated to pay UC. The timing of the transaction and its unusual nature generated some confusion in the press and general public, but it is very low risk and represents interest-free borrowing for UC.

#### **IV. Consultation with the Academic Senate Leadership**

- *Academic Senate Chair Harry Powell*

**Report:** Senate Chair Powell said UCPB does much of the strategic planning and budget thinking for the Senate. He said campuses have consulted with local planning and budget committees to varying degrees and suggested that UCPB push for them to have the most highly informed status. Some programs are facing cuts and even disestablishment, but this must proceed according to established Senate review processes. Over the past year, the Senate has endeavored to respond quickly to fast moving issues and will be thinking about how to hasten its internal review processes, but "consultation" also involves more than conferring with one or two faculty members and the Senate will work to ensure that shared governance is honored and a desire to make haste does not disregard an orderly thoughtful review process.

The Senate is concerned about the differential fees proposal before the Regents. It was one of many topics the Senate-Administration Advisory Group for Budget Strategies discussed last year. The Advisory Group took differential fees off the table in February but brought it back for discussion in the spring when the full impact of the budget cuts became clear; however, no specific proposal ever emerged for Senate review. He encouraged UCPB to send its

recommendation to the Academic Council, as the issue touches deeply on the core instructional mission.

The Gould Commission held an initial meeting, but has not started its work. The campus COCs and UCOC have been working hard to produce nominations for the five Working Groups and those rosters and now being populated with faculty from all ten campuses and a variety of disciplines. Much of the Commission's charge is in the Senate purview and its recommendations will be turned over to the Senate for system-wide review. Chair Powell said he would like the greatest possible interaction between the Commission and the Senate's standing committees.

**Discussion:** Members noted skepticism that the early spring deadline for the Commission would give it enough time to gather information and deliberate seriously about the issues.

## **V. Consultation with UCOP**

- o *Kathleen Dettman, Director of Institutional Research*
- o *Rosemary Chengson, IR Content Director*

**Issue:** UCPB reviewed data it had requested on administrative FTE and salary growth to aid its investigation into the expansion of senior management and executive positions compared to the growth of faculty FTE. UCOP distributed charts depicting employee growth between 1997-98 and 2008-09 and historical salary increases for academics compared to staff. An accompanying memo noted that every UC functional area grew over that ten-year period. It also cited national trends in higher education staffing, in which lower skilled and educated staff have been replaced by higher skilled and educated employees expecting higher pay and classifications.

**Report:** UCOP's data indicate that between 1997 and 2008, total UC FTE grew by about 37%, with total salary more than doubling. Total FTE for academic and non-academic groups grew by about 37% each in that time period, and today UC has about 144% more non-academic employees than academic employees; however, the total salary of academic employees grew by 96% compared to 118% for non-academics. The number of tenure track faculty grew by 22% while non-tenure track faculty, including lecturers, grew 55%. On the non-academic side, FTE in the Managers and Senior Professionals (MSP) personnel category grew by 135% with 230% salary growth, and the non-represented Professional and Support Staff (PSS) group grew by 52% with 70% salary growth. The number of FTE in the SMG group has actually declined in number, yet this category still has a 70% overall increase in salary. Manager Chengson pointed out that there is a disproportionate amount of FTE and salary growth in all groups for employees who are paid from non-general fund sources compared to general fund sources. In addition, the majority of tenure track faculty salaries come from general funds, while most non-tenure track salaries come from other sources. She noted that the MSP group includes staff from every area of the University, including information technology professionals and non-academic physicians and dentists, and coaches.

Director Dettman added that promotion through the ranks has had a big impact on the administrative growth. She said UCOP may not have ready access to all of the campus-level salary details UCPB requested, but the Office of Institutional Research is happy to follow up with UCPB over time to provide it with additional information and data as needed. She hopes the presentation will be the beginning of an ongoing dialogue.

**Discussion:** UCPB members were most alarmed by data showing the dramatic growth of administrative manager FTE and salaries and the disproportionate growth of non-tenure track faculty. There was a question about whether “Base Salary” in the charts includes the off-scale component of the academic employee salary. The consultants later confirmed that the data did include off-scales. Members suggested that UCOP break down the MSP category by functional area and fund source; distinguish administrators working in academic departments who support the core academic mission from auxiliary and non-academic administrators; look at new payroll titles added in the last ten years; and distinguish Health Sciences faculty, as they are paid more and have additional salary components that are not included in the data. There were additional hypotheses proposed as possible reasons for the growth—the rise in federal reporting requirements and the compounding effect highly paid staff have in terms of the support staff they inevitably hire.

**Action:** Members will send questions to Chair Krapp and Analyst LaBriola toward a reformulated data request to UCOP.

## **VI. UC Education Abroad Program**

**Issue/Report:** The UC Education Abroad Task Force Report has been released for system-wide Senate review and comment. UCPB was also asked to identify two members willing to serve on the EAP Governing Board proposed in the report. In addition, just before the meeting, UCPB was asked to opine on three possible budget models for EAP by mid-October.

Chair Krapp noted that UCEAP’s general fund budget has already been cut from \$17 million to \$4 million. Two years ago, a consultant recommended that EAP be more self-supporting, less dependent on UC funds, and more of a student service than an academic program. That report was also critical of the overseas study centers. The “Option A” model establishes a 20% state-to-80% student fee funding ratio, equivalent to \$2.6 million in general funds and \$1.2 million in opportunity funds. “Option B” would eliminate opportunity fund support, raise student fees, and move the program to a 5% state-95% fee model; and “Option C” would eliminate both sources and fund UCEAP solely through fees.

**Discussion:** UCPB agreed that Option C should be totally unacceptable to the Senate. It would gut EAP’s academic core and essentially remove the Senate from any role. It was noted that some campuses would also likely end their participation in EAP under this model. Some members felt the return-to-aid model may no longer be feasible in the current budget climate, but it would also be bad to have EAP in which only wealthy kids can afford to participate. One might as well disband EAP if it is unable to maintain quality. It was also noted that not all campuses make equal use of EAP. Option B garnered the most support, but UCPB decided it could not endorse any model on such a short timeframe and with only three choices before them. Yes, it would be bad to reduce the number of UC students going abroad, but compared to other choices—for example, fewer graduate students—would this be a better choice?

**Action:** Professors David Lopez and Jean Bernard Minster volunteered to serve as UCPB’s representatives on the governing board.

**Action:** Chair Krapp and Analyst LaBriola will draft a memo based on the discussion about the three budget models and circulate it for comment.

## **VII. Review of the Division of Agriculture and Natural Resources (DANR)**

**Issue:** Last year, UCPB endorsed the DANR and Cooperative Extension Program [external reviews](#), but noted that the reviews leave many of the Senate's previous questions about DANR unanswered. UCPB recommended that DANR follow-up with a more comprehensive review that includes information about planning and budgeting. The Academic Council has asked UCPB and UCORP to develop an iterative series of queries to DANR, particularly regarding budgetary assessments, which will facilitate its critical thinking about its new strategic vision and how to attain it. Chair Krapp asked for volunteers for a joint UCPB/ UCORP workgroup to devise questions.

**Action:** Professors Carol Lovatt, John Ellwood, and Jim Chalfant will serve as UCPB representatives.

## **VIII. Differential Fees Memo**

**Issue:** Before the meeting, Chair Krapp circulated a draft UCPB memo about a proposal for differential fees for business and engineering that appeared as a discussion item on the Regents September agenda. The memo noted concerns about the review process (the Senate had not seen or discussed the proposal) and the consequences of the proposal itself for educational quality, access, and UC's public character. The memo recommends that the Regents defer a decision pending further analysis by the Gould Commission's Funding Strategies Work Group and subsequent Senate review.

**Discussion:** Members supported the memo. A differential fee policy would suggest that a UC education is a commodity and would weaken UC's message about the need for public funding. It is preferable to raise fees across the board in a way that has a neutral cost impact on majors, disciplines, and access. There is a public benefit when a low income person becomes an engineer or starts a business, and as first-generation college students tend to prefer practical degrees, differential fees for these majors could have a significant impact on access, particularly for underrepresented groups. It was agreed that the proposal should be removed from the Regents November agenda as an action item and given over to the Gould Commission for further study, though the Senate should continue to oppose it on principle as a first step toward stratification and privatization. It was also noted that other UC majors are more impacted than engineering and business, and there was a suggestion that the Board of Admissions and Relations with Schools take the lead in examining the access question for the Senate.

**Action:** UCPB voted to send its letter to the Academic Council with a few minor amendments.

## **IX. Campus Reports: Implementation of Furloughs**

Members reported on the impact of furloughs on campuses.

**UCSD:** There is a lot of discussion about the Furlough Exchange Program, which allows some faculty to replace a portion of their furlough time with money from contracts. UCSD will extend the campus closure period to December 21 through January 3.

**UCD:** The campus is implementing furloughs according to system-wide policy, with some locally granted exceptions. There is talk about using research funds to provide extra summer support for some lower income faculty.

**UCLA:** UCLA is also conforming to OP guidelines with respect to the FEP program; a review board is reviewing exception requests for both individuals on the basis of “extramurality” of their funding as well as categories of employees, for example public safety officers; and there has been discussion of a program to help lower income faculty.

**UCM:** The campus has approved a few special exceptions for departments with only one or two staff, and there has been discussion about instituting an opportunity grant program to supplement the incomes of junior faculty. Up to 40% of faculty in Engineering and the Sciences have been able to restore furlough money with grants, but only less than 10% of faculty in the Social Sciences, Humanities, and Arts are able to do the same.

**UCSB:** The P&B committee is gathering data about how the cuts are impacting instruction, graduate numbers and support.

**UCR:** Some faculty and staff are unhappy about the impact of the Furlough Exchange Program on equity between faculty and staff and between faculty in different disciplines.

**UCI:** The campus is looking at the possibility of allowing lower paid faculty lacking grants and auxiliary income to compete for a small pot of research money to boost morale and research support. UCI is said to be falling short of its expected (furlough) salary savings target by as much as 1/3 in some schools.

**UCSC:** The clerical union does not support the furlough program and is encouraging its members to move to the START program to preserve their benefits. The administration gave faculty only a five day window to sign up for the FEP.

**UCB:** The furlough plan is treating staff unfairly and inequitably. Scientists have been more successful than others in figuring out how to offset furloughs with grants, but Berkeley is making available a pool of money from two gifts and summer research funds to faculty earning less than 81k who have no sources of financial support for their research other than their state salary. The campus had already planned to convert the last week of each semester into a reading period, which will now also be a campus-wide furlough period.

**UCSF:** The campus is planning its budget three to five years into the future, but there is no plan for a second year of furloughs. Many UCSF faculty are on soft money and exempt from furloughs. For the first time the P&B committee was involved in making recommendations for how funds should be used to mitigate budget cutting impacts on some units.

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

Distributions:

1. External Finance Presentation
2. Growth in Academic and Non-Academic Personnel at UC
3. Alternative UCEAP Budget Models for 2010-11