

**Remarks of Academic Council Chair Robert Anderson  
to the Regents of the University of California,  
January 18, 2012**

Thank you, Chair Lansing.

Tomorrow, we will have a briefing on the Governor's proposed budget. Faculty Representative Powell and I will comment then. For now, let me just say, it is not good news. It is a recipe for ongoing, painful austerity.

The budget problems make it all the more critical that we address promptly something that IS within UC's control: the allocation of funding among the 10 campuses. For decades, this was done through a highly non-transparent process. The support provided for each student FTE depended on when the campus had added that student FTE, with recently added student FTEs receiving less state funding than older FTEs. This advantaged the more mature campuses and disadvantaged the newer campuses. At the same time, there were other transfers, most notably in Indirect Cost Recovery—research overhead—that benefited the newer campuses and disadvantaged the more mature campuses. Every campus could point to one piece of the system that gave it a raw deal. It was like a Lake Wobegon nightmare: every campus was convinced that its share of the UC budget was below average.

Significant progress was made last July, when the so-called Funding Streams Initiative was implemented. Since that date, each campus has kept all the non-state funds it generates, including resident tuition, nonresident tuition, philanthropic support, and Indirect Cost Recovery. This is critical to ensuring that each campus has the incentive to maximize the non-state revenue it generates, in order to help alleviate the damage caused by state budget cuts. It is critical to the preservation of excellence at UC.

When Funding Streams was initially implemented, state funds were reallocated in order to achieve revenue neutrality for each campus. Then, the \$650 million state budget cut was allocated among the campuses, and the \$100 million trigger cut was absorbed through one-time drawdowns of systemwide reserves. Thus, a recently added student FTE CONTINUES to receive less state funding than older FTEs.

It is critical that we complete the budget reform by adopting a rational policy for allocating state funds among the campuses. This process, called "Rebenching," is urgent for three reasons:

- While ALL campuses are hurting badly, some campuses are in much worse financial shape than others. Facing the prospect of ongoing austerity, those campuses that are worst off desperately need help NOW.
- The Funding Streams reform creates strong incentives for campuses to generate non-state revenues by ensuring that they will keep the revenues that they generate. Unless we quickly reach agreement on the allocation of state funds, there is a real danger that the agreement to support Funding Streams will unravel. We need agreement on Rebenching NOW to lock in Funding Streams.

- In the absence of an agreed-upon formula for allocating state funds, the campuses focus too much of their energy on fighting over the allocation of an inadequate pie. We need to end this fight, so that campuses can turn to the much more important tasks: working together to make the case for expanding state funding, and working to expand non-state sources of revenue. We need the guns pointed outward, not inward.

Last July, the Academic Senate put forward a detailed proposal for the reallocation of state funds. Although campuses have differing narrow interests, the proposal was adopted by an overwhelming margin within the Academic Council, with many of its features adopted unanimously. The Academic Senate proposal embodies the following principals:

- The state funding provided to a student may depend on the kind of student—medical students, for example, should receive more funding than undergraduates—but not on the campus at which the student is enrolled. An undergraduate at Santa Cruz is entitled to the same level of state support as a student at UCLA.
- The allocation mechanism must ensure that all the California resident undergraduates funded by the Legislature have a place at a UC campus, and that that UC campus receives sufficient funding to provide a UC-quality education to that California resident undergraduate. This requires a detailed mechanism for setting enrollment targets for campuses, and appropriate financial provisions to ensure the campuses meet those targets.
- Ph.D. students are essential to maintaining UC as a research university. The proportion of Ph.D. students varies significantly across campuses, reflecting their differing ages. In the future, as resources become available and the newer campuses mature, they should gradually add Ph.D. students, but we should not cut the Ph.D. programs at the mature campuses.
- UC provides an essential service to California and the nation in training doctors, nurses, and other health science professionals. This includes both doctoral degrees and residency programs. These programs are very expensive, but fill an essential need.

Provost Pitts and Executive Vice President Brostrom currently co-chair the Rebenching Task Force, composed of Chancellors, Executive Vice Chancellors, Vice Chancellors for Planning and Budget, UCOP budget people, and a small group of Academic Senate representatives. The Task Force is within reach of a very good recommendation. The solution that seems to be emerging incorporates the broad principles enunciated by the Academic Senate, although it differs in certain significant details. Larry Pitts and Nathan Brostrom contributed a particularly useful suggestion for funding systemwide earmark programs such as our agricultural programs.

One key question to be resolved is how rapidly to rebench. Some have argued that rebenching should wait until the state is able to provide significant budget augmentations; if that approach were adopted, it could take decades to reach a fair, principled and transparent allocation. Others have suggested that rebenching occur over a fixed horizon, with eight years the suggested timing. For the reasons I outlined above, we need to adopt the principles for rebenching NOW, and phase them in over a relatively short period, ideally no more than four years.