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December 21, 2010

**LAWRENCE PITTS, PROVOST AND EVP  
NATHAN BROSTROM, EVP-BUSINESS OPERATIONS  
UNIVERSITY OF CALIFORNIA**

**Re: Rebenching Task Force**

Dear Larry and Nathan:

At its December 15, 2010 meeting, the Academic Council approved recommendations for Senate membership on the rebenching task force in accordance with your request for nominations. By virtue of our positions, Vice Chair Bob Anderson, UCPB Chair Jim Chalfant, and I, as Chair of the Council, will represent the Senate. In addition, given the need to represent the campuses, the Council nominates Ann Karagozian, Divisional Chair of UCLA, and Susan Gillman, Divisional Chair of UCSC, to serve. We believe that it is important to obtain faculty input from campuses with different interests in this discussion. The slate draws its membership from a cross-section of campuses and includes the two largest, a mid-size and smaller campus, as well as campuses with and without medical centers. I recognize that this list contains one more name than the three or four that you requested. However, the Academic Council, along with Bob and me, believes that it is critical to have broad Senate representation in this difficult undertaking.

In addition, I enclose a statement of principles for the allocation of state funds per student that was drafted by UCPB and endorsed by the Academic Council at its meeting on July 28, 2010. We ask that you provide these principles to all members of the rebenching task force prior to its first meeting.

Sincerely,

A handwritten signature in cursive script that reads 'Daniel L. Simmons'.

Daniel L. Simmons, Chair  
Academic Council

Encl (1)

Copy: Academic Council  
Martha Winnacker, Academic Senate Executive Director

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## UNIVERSITY COMMITTEE ON PLANNING AND BUDGET (UCPB)

Peter Krapp, Chair

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**July 27, 2010**

HENRY POWELL, CHAIR  
ACADEMIC COUNCIL

### **Re: Campus budgets and “rebenching” concepts**

Dear Harry,

UCPB proposes the following principles to guide the complex process of rebalancing the per-student ratio of State funds allocated to campuses. Campus budgets consist of many different factors, some directed to a particular division, some administered system-wide via UCOP; significant cross-subsidy has characterized UC campus allocations. A comparison of General Funds per student FTE shows that those with the lowest per student FTE funding often depend on General Funds for a larger percentage of their overall budget. UCPB believes that the sooner “rebenching” is phased in the better. Furthermore, UCPB holds that as UC engages in a review of inequities that compounded despite, or because, of various historical tweaks in the funding methodology, it must consider the following issues:

1. Ed fees: While student fees in 1990-91 contributed 15% of the cost of UC’s core instructional and research mission, by 2009-2010 students paid 40% of the core mission, and that percentage will grow further after recently approved fee increases. Any delay in the transition to campuses keeping fee revenue they generate only perpetuates the unequal distribution currently in place.
2. Non-resident tuition: As long as there is no cap in non-resident enrollments, dramatic increases in non-resident students imperil UC state funding. Some campuses have the ability to generate significant nonresident tuition, without paying heed to the Master Plan. UCPB remains concerned about the consequences of ad-hoc enrollment planning.

3. Indirect cost recovery: these funds, as discussed most recently in the “Choices Report”, must be included in calculations of campus financial capacity.

4. Operation and maintenance of the campus physical plant: campus base budget OMP allocations are now a part of the per student FTE allocations provided by the state as part of MCI negotiations. They should be redistributed on the basis of unweighted student FTE. This would have the effect of adjusting the existing OMP base to cover State-supported facilities constructed during periods when no incremental State funding was provided.

5. Organized Research Units: reconsideration of State fund allocations should consider existing line-items for individual campuses for ORUs and MRUs, and include them in the full allocation review. Considerable efforts have been put by the Senate over the past decade into putting into place a review system for legacy MRUs and ORUs. – In addition, UCPB observes that the Division of Agriculture and Natural Resources (DANR) receives substantial funding through UCOP. It is not clear whether all campuses ought to be taxed to support DANR in this way; is DANR going to be run as a central operation, or could it instead transition to functioning as a campus-like satellite?

6. Graduate students (distinguishing Master’s from Doctoral Programs): Every UC campus except Merced has more doctoral students per faculty FTE than the public AAU average. Every UC campus except Merced, Riverside and Santa Cruz has more doctoral students per faculty FTE than the private AAU average. Educating graduate students is more costly than educating undergraduates. Just as upper division costs UC more than lower division (which sets a real-world limit on transfer enrollments), standalone Master’s programs should be considered more aligned with upper division undergraduate education, in terms of their cost, than with doctoral programs. Campus funding needs to acknowledge the ratio of doctoral students to undergraduates. However, the historic use of funding formulas is largely responsible for significant differences in campus base budgets. Weighted formulas ensuring funding parity over time are needed; they would require periodic rebalancing, setting the marginal cost of instruction so as to neither fiscally penalize nor incentivize academic planning at undergraduate, graduate, or professional student levels.

UC needs to better manage enrollment planning and faculty numbers; both impinge critically on budgets and academic planning. Faculty attrition rates have fluctuated over the past decade, and vary significantly from campus to campus, averaging between 2% and 4%. Compounding makes these differences consequential.

For faculty (and thus campus) workload, a series of productivity measures help paint an accurate picture of effort in education and research. UC routinely collects such measures as degrees per filled senate faculty FTE, or average student credit hours per instructor; but UC must also look at the ratio of a school's operating base budget to its student credit hours, and at how total school expenditures per faculty FTE, or per student FTE, compare across campus. Although any productivity metric is always merely a proxy, it can be shown, for instance, how enrollment-based revenues (from state funds and student fees) accrue to campuses, and how grants and contracts accrue to the units that are best positioned to benefit from them. UCPB has occasion to observe again that Social Sciences and Humanities, although they are very high-enrollment units, see far less money spent on research, or on their base budget allocation. As a result, they are sizable net payers into their campus. The considerable difference (in the tens of \$ millions per year for each campus) is available to be spent in low-enrollment, expensive fields (it does not matter for this point whether it is spent on costly research infra-structure, or off-scale salary). This cross-subsidy on campus is a key factor in what makes a university work. It should not be obscured or distorted to the detriment of the overall campus community. In short, not all cross-subsidies are bad; they may be a backbone of the principle of a research university.

If we take seriously what students pay UC; and if we take seriously what the state provides UC per enrollment; then we cannot afford to deny the basic facts about what enrollment-derived revenues look like for each school. Schools may also have substantial revenues derived from grants and contracts (including fields in the Social Sciences). However, this is not such an easy calculation for each campus, since it fluctuates between years and between schools and units. Grant revenue also does not become available for spending anywhere other than where the grants are won; and it is known that Indirect Cost Recovery does not fully cover the indirect cost of research.

UCPB has long been recommending that OP adopt as a key metric net State funds per enrollment (i.e., net of health sciences, MRUs, and agricultural field stations). Such a metric, "Net State Funding per Budgeted Enrollment," normalized to remove from the numerator State fund allocations to health sciences (different basis, applicable to four general campuses), MRU/MRPIs (which serve a system-wide mission), and Agricultural field stations (historically line-item funded), would also remove health sciences enrollments from the denominator.

Sincerely,



Peter Krapp  
UCPB Chair

cc: UCPB  
Martha Winnacker, Senate Executive Director