



CHAIR, ACADEMIC SENATE
RIVERSIDE DIVISION
UNIVERSITY OFFICE BUILDING, RM 225

MARY GAUVAIN
PROFESSOR OF PSYCHOLOGY
RIVERSIDE, CA 92521-0217
TEL: (951) 827-5538
E-MAIL: MARY.GAUVAIN@UCR.EDU
SENATE@UCR.EDU

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Daniel Simmons
Professor of Law Chair,
UC Systemwide Academic Senate
1111 Franklin Street, 12th Floor
Oakland, CA 94607

Dear Dan,

Re: **Systemwide Review of Funding Streams Proposal**

The Riverside Division has reviewed the Funding Streams Proposal. It was reviewed by our committees on Planning and Budget (P&B), Research (COR), Faculty Welfare (FW), and Educational Policy (CEP), and by the Graduate Council. It was also discussed at the meetings of our Executive Council and of the Division.

Overall, we are encouraged by efforts at the Office of the President to make fiscal matters more transparent and to allow the campuses to retain a larger share of their own revenue and, thereby, utilize their own resources as they see fit. We are also pleased that funds for undergraduate financial aid will continue to be distributed as needed. However, there are several matters that concern us.

1. **Potential to undermine the system as a whole.** Aspects of the Funding Streams Proposal appear to be contrary to the spirit of the "Power of Ten" for which the UC system stands. We are especially concerned that the proposal will undermine the efforts of smaller and growth campuses. Our Division strongly believes that each of the 10 UC campuses should have similar opportunities to succeed. The coincident timing of the recent financial calamities of the State of California and the efforts by smaller and growth campuses, such as UCR, to achieve prominence should not be used opportunistically to undermine campus development. Each campus contributes to the UC in meaningful ways and it is important that these contributions are recognized, protected, and preserved. UCR has been the most successful UC campus in attracting and supporting underrepresented minority students who are substantially more likely to come from low-income families and to be the first in their families to secure a college degree. Students from these backgrounds will make up a large portion of the State's future workforce and it is vital that the UC be involved in their postsecondary education. In the current UCR strategic plan we have committed the campus to meeting the profile of an AAU university with all of the comprehensiveness and quality that implies. These characteristics

make us acutely sensitive to the potential for budget changes to impede the ability of our campus to serve underrepresented minority students while maintaining our desired trajectory toward AAU status.

2. **Rebenching.** Rebenching of base budgeting for the campuses remains the highest priority for UCR. Only with rebenching will basic equity in funding across the campuses be established. To this end, it is imperative that rebenching occurs in tandem with or promptly after the implementation of the Funding Streams Plan.
3. **Longer-term consequences.** The Plan pledges to be revenue neutral, not affecting the campuses positively or negatively. It is difficult to verify this claim in the absence of actual data and reference to how this conclusion was reached. For example, we do not know how the analysts came up with the data in Table 5, alleging that UCR's augmentation would be slightly greater than the projected cuts (p.23). In addition, the proposal states that UCOP will tax each campus and that each campus's operating expenditures will be included in the base for calculation. If the assessment is greater than the revenue gained via the return of opportunity and educational fee funds (among others), then purportedly some State General Funds will be distributed to the campus to make up the difference. Yet the document also states "While these adjustments are intended to be revenue-neutral, campuses will experience budget increases if revenues rise," and "Likewise, campuses will be responsible for addressing budget shortfalls if revenues decline." (18). Thus, we might expect that in certain years, the plan will not be revenue neutral for us and we would like to know if this is true.
4. **Graduate enrollment.** When it comes to undergraduate enrollment, UCR remains a growth campus, unlike many of the other UCs. Retaining the educational fees generated by our undergraduate students should work to our advantage. On the other hand, our graduate enrollment has been relatively flat over recent years, and under this plan we would lose the benefits that have come with the pooling of resources into a general fund. In the past, there was, in effect, a subsidy to our campus from the general pool because UCR did not collect as much in graduate fees as other campuses. We will lose that support and we will have to fund TAs, fee remissions, and GSHIPS on our own. Doing so will reduce our ability to compete with other UCs for graduate students because we may not be able to offer competitive, multi-year financial aid packages.
5. **Non-resident tuition.** According to the proposal, non-resident tuition (NRT) will also remain on campuses and will not be cross subsidized. We anticipate this may have a negative effect on our campus because we are at a competitive disadvantage in attracting out-of-state students, compared to UCLA, Berkeley, or UCSD. Our Division recommends that the Council investigate ways to share the revenue from NRT in some equitable fashion that recognizes the consequences (including the public perception) that some campuses are expanding greatly in this area while others are teaching more in-state eligible students.
6. **Revenue generation.** The goal to "incentivize the campuses to maximize revenue" (p. 18) has the potential for campuses to take different paths to maximize such revenues, including the possibility that some campuses would expand their more lucrative professional schools at the expense of their undergraduate education missions. Our Division would hope to continue to see close monitoring of the campuses by UCOP to minimize the impact of decisions by

Chancellors and Deans on the individual campuses that could lead to "tiering" of the campuses within the system.

7. **Indirect costs.** Currently, 94% of indirect costs is returned to source campuses and 6% is retained by UCOP. It is proposed that 100% of indirect costs be retained by campuses, which should be a good thing. But because UCR is at the low end in terms of grant revenue, there is no way to judge whether the change will impact us negatively or positively. UCR faculty competes well for extramural funds. However, as we have fewer faculty than many other UC campuses, our overall revenue from ICR will be less than for some other campuses. In this regard, it will be essential to grow our faculty, which will be difficult to do in these austere times.
8. **The UCOP tax.** We are concerned about the lack of specificity in the Plan regarding the amount of the proposed Systemwide Assessment, as well as the process through which this rate is to be determined in the future. We think it is critical that the individual campuses and the Senate have representation when any taxation decisions are made. We also believe that it is important to establish a policy on how the assessment rate is to be set and adjusted, as well as identify who has authority to set the rate. Finally, it will be critical that the assessment charged to the campuses to cover UCOP operations be fair and that there is transparency at the Office of the President as to how these tax dollars are used.
9. **Review of the Funding Streams plan.** This approach is brand new and there are few controls and details built into the plan. Although there are hints of possible correction after the impacts become better known over time, it would be valuable to have a complete review of the impacts within three years of implementation to determine how well the plan is working.

Sincerely yours,

Mary Gauvain
Professor of Psychology and Chair of the Riverside Division

CC: Martha Kendall Winnacker, Executive Director of the Academic Senate
Sellyna Ehlers, Director of UCR Academic Senate office