AGENDA
GRADUATE COUNCIL MEETING
FRIDAY, JANUARY 14, 2011
1:30 PM - 3:30 PM
ACADEMIC SENATE CONFERENCE ROOM
ROOM 220 UNIVERSITY OFFICE BUILDING

1. Approval of Minutes of December 16, 2010

2. Announcements
   a. Chair of the Graduate Council
   b. CCGA Representative
   c. Graduate Student Council Representative
   d. Dean of the Graduate Division

3. Courses and Programs Subcommittee
   a. Courses
      - BPSC 246 – (new)
      - CMDB 257 – Change
      - CMDB 258 – Change
      - EE238 – Change
      - EE239 – Change
      - EE247 – Change
      - ENTM 201 – Change
      - ENTM 202 – Change
      - ENTM 203 – Change
      - ETST 243 (E-Z) - New
      - MATH 202 - New
      - MATH 107A - New
      - MATH 207B - New
      - MATH 207C - New
      - MCBL 202 - New
      - PHYS 203 - New
      - PHYS 204 - New
   b. Psychology Qualifying Exam Proposal
   c. Proposed Changes to Computer Science Graduate Program
   d. Proposed Revision to EEOB Graduate Program Requirements

4. Graduate Program Review Subcommittee
   a. Status Report
   b. Psychology and Sociology response to Findings and Recommendations from Graduate Review

5. Fellowship Subcommittee Report

6. Old Business
   Proposed Guidelines for a Designated Emphasis (DE)

7. New Business
   Request for Systemwide Review of Funding Streams proposal
Present:

M. Maduro, Chair
G. Gonzalez-Rivera
J. Arey
I. Ethell
P.E. Green
Y. Hua
A. Jaworska
C. Nugent
M. Vanderwood
D. Wong
J. W. Childers, ex officio
Arash Arami (Graduate Student Representative)
Jennifer Wright (Graduate Student Representative)

Absent:
K. Barish
M. El Hafsi
J.N. Medearis
N.V. Myung
S. Xu
Rachelle Cassel (Graduate Student Representative)

Guests:
Prof. Mark Matsumoto
Prof. Thomas Payne

Approval of Minutes
The minutes of the meeting of November 18, 2010 were approved with minor grammatical corrections.
Old Business:

The agenda was rearranged so that Prof. Mark Matsumoto and Prof. Emeritus Tom Payne would provide a summary of how instruction will be delivered in teaching the Online Self-supporting MS in Engineering. The Council also discussed residency issues and placement data. The Committee did not vote on the proposal as it was not yet in its final form.

Announcements:
Chair of the Graduate Council:

Chair Morris Maduro gave an update on the research he had carried out regarding the articulation of the rules governing oral qualifying exams. He also gave an update on the information he gathered by talking to Deans of programs that were in danger of becoming moribund. He received no response from CNAS. The BCOE Dean indicated that their programs were strong.

CCGA Representative

Chair Maduro had nothing to report as he missed the meeting due to a prior engagement.

Graduate Student Council Representative

The GSA reported that they were reviewing a large funding request from the Student Services fees Advisory Committee.

Dean of the Graduate Division

Dean Childers indicated that there was still no budget. He also indicated that he attended the Council of Graduate Schools in Washington and found out that Santa Barbara, Irvine, and San Diego also do not have their budgets yet. He will be reminding programs to continue their vetting and ranking process to facilitate a speedy transfer of funds once funding becomes available. Dean Childers also indicated that a Strategic Planning Implementation Committee has been formed and that the Graduate Division will be one of the units asked to provide a strategic plan for implementation. Dean Childers indicated that for something like this, it will be vital to get input from Council. Dean Childers also noted the need to start thinking of Masters Degrees and professional degrees, stating that more people get Masters Degrees than Associate degrees. He believes that UCR can offer at least 5 professional masters programs on this campus. The Committee discussed the various kinds of professional degrees that can be offered.
Courses and Programs Subcommittee:
The Courses were approved.

Both the Program changes in GSOE (Proposed Changes to M.Ed. Autism Emphasis Curriculum Requirements) and Dance (Proposed Changes in MFA) were approved.

Graduate Program Review Subcommittee:
The Status Report was reviewed.

EEOB – Final Response- Council voted unanimously to finalize the policy.

Fellowship Subcommittee Report:
It was reported that approximately $4,000 was allocated for Dissertation Research Grants.

New Business:
Chair Maduro discussed the request that came from Systemwide to review the 1996 Policy on Self-Supporting Part-Time Graduate Professional Degree Programs and its Implementation Guidelines.

Meeting adjourned at 11:25 a.m.

Morris Maduro, Acting Secretary
From: Glenn Stanley <glen.stanley@ucr.edu>  
Subject: Re: Psych Qual Exam Proposal  
To: "Susan Stracener" <susan.stracener@ucr.edu>  
Cc: Morris Maduro <morris.maduro@ucr.edu>  

Dear Sue,

Attached below is the Psychology proposal that has been revised as requested by the Graduate Division. This revision has been approved by the faculty of the Department of Psychology by a vote of 22 approve, 0 disapproved, 0 abstain with 6 unavailable.

Echoing your comment, I do very much hope that this proposal will be reviewed in the December 16th meeting.

Regards,
Glenn

Glenn Stanley, Professor & Chair  
Department of Psychology &  
Professor of Cell Biology/Neuroscience  
University of California, Riverside  
Riverside, CA 92521

Chair's Office: 951-827-5244  
Faculty Office: 951-827-5625  
Confidential fax: 951-827-2214

---- Original message ----

> Date: Thu, 02 Dec 2010 10:56:57 -0800
> From: Susan Stracener <susan.stracener@ucr.edu>
> Subject: Psych Qual Exam Proposal
> To: glenn.stanley@ucr.edu

...snip...
> 232 University Office Bldg.
> Riverside, CA 92521
> 951 827-5530
> Fax 951 827-5545
> susan.stracener@ucr.edu

Revised Psyc Grad Quals Changes 12-9-10.doc
To: glenn.stanley@ucr.edu
Subject: Psych Qual Exam Proposal

Hi Glenn:

The Graduate Division reviewed your proposal and they had two comments. See comments below from the Associate Dean.

1. Suggest they add a paragraph at the end of the written qualifying exam section that briefly explains what happens if the written is not passed (similar to the last paragraph of the oral qualifying exam section).
2. Minor typo in the last paragraph: “if they has”

If you can make these changes and resubmit the proposal, I will forward onto the Courses and Programs Subcommittee for their review and then onto the Graduate Council, hopefully for their December 16th meeting.

Sue

Sue Stracener
Senior Analyst
Academic Senate
232 University Office Bldg.
Riverside, CA 92521
951 827-5530
Fax 951 827-5545
susan.stracener@ucr.edu
Text for the Department of Psychology Graduate Handbook, if approved by the Graduate Division. The text in the left column is that submitted to the Graduate Council in June 2010. The text in the right column reflects a revision made at the request of the Graduate Council. That revision was unanimously approved by the faculty of the Department on December 9, 2010.

Underlined portions of the original proposal and the revised proposal are unchanged, but have been moved. Portion in *italics* is new.

**Original Proposal (Approved 6-11-2010):**

**The Ph.D. Qualifying Examination**

The qualifying exam has two portions, a written exam and an oral exam. Both portions are administered and evaluated by the student’s qualifying examination committee.

**The Written Qualifying Exam**

The qualifying examination committee, in consultation with the student, selects the examination procedure to use. Two options are available:

The student may take a 2-day written examination based on a reading list approved by the student’s qualifying examination committee. The breadth and depth of such lists, and the degree to which assigned versus student-prepared lists are used are determined by the student’s committee, who prepare the written examination.

-or-

The student may complete a substantial paper or series of papers that might take the form of a research proposal, a state-of-the-field essay, or an integrative literature review. The committee, in consultation with the student, determines the particular form and topic to be addressed. Appropriate committee members are available to the student for consultation throughout the writing process.

**The Oral Qualifying Exam**

Regardless of the option selected for the written examination, the written product (examination or paper) is reviewed by the student’s qualifying examination committee and, if deemed satisfactory, the oral examination follows. The oral examination addresses issues raised in the written portion of the

**Revised Proposal (Approved 12-9-10):**

**The Ph.D. Qualifying Examination**

The qualifying exam has two portions, a written exam and an oral exam. Both portions are administered and evaluated by the student’s qualifying examination committee.

**The Written Qualifying Exam**

The qualifying examination committee, in consultation with the student, selects the examination procedure to use. Two options are available:

The student may take a 2-day written examination based on a reading list approved by the student’s qualifying examination committee. The breadth and depth of such lists, and the degree to which assigned versus student-prepared lists are used are determined by the student’s committee, who prepare the written examination.

-or-

The student may complete a substantial paper or series of papers that might take the form of a research proposal, a state-of-the-field essay, or an integrative literature review. The committee, in consultation with the student, determines the particular form and topic to be addressed. Appropriate committee members are available to the student for consultation throughout the writing process.

Regardless of the option selected for the written examination, the written product (examination or paper) is reviewed by the student’s qualifying examination committee and, if deemed satisfactory, the oral examination follows. If the written examination is deemed unsatisfactory, the scheduled oral examination will be canceled. Committee members will discuss their concerns with the student, who will then have the
qualifying examination, but the scope of the oral examination is not limited by the contents of the written portion. Other topics within the students general field of study, as well as related fields may be covered in the oral examination in order to confirm the student’s readiness for advancement to Ph.D. candidacy.

Immediately after the oral examination, the student will be informed if they have passed or failed. If the examination is failed, the committee has the option of recommending that it be retaken, providing the committee agrees that the overall performance warrants retaking the examination. The oral examination may be retaken only once.

opportunity to either take a second written examination or revise the paper or papers originally submitted. The qualifying examination committee shall meet to evaluate this second written examination. If it is deemed satisfactory, the oral examination follows. If the committee determines that the second written examination is not satisfactory, a third attempt is not permitted and the student shall not take the oral qualifying examination and may not advance to candidacy.

The Oral Qualifying Exam

The oral examination addresses issues raised in the written portion of the qualifying examination, but the scope of the oral examination is not limited by the contents of the written portion. Other topics within the student’s general field of study, as well as related fields may be covered in the oral examination in order to confirm the student’s readiness for advancement to Ph.D. candidacy.

Immediately after the oral examination, the student will be informed whether they have passed or failed. If the examination is failed, the committee has the option of recommending that it be retaken, providing the committee agrees that the overall performance warrants retaking the examination. The oral examination may be retaken only once.
December 2, 2010

Dear Dr. Bhuyan:

Below are comments and recommendations from the Graduate Division regarding the proposed change to Computer Science Graduate Requirements:

The Senate regulations state that all programs must have a written and an oral exam. They cannot get rid of the written.

Linda

**My only comment is to echo Linda’s about the absence of the written exam. In light of that, they may want to revisit some of their other changes regarding the timing of the exams.**

Ken

**Per Academic Senate regulation GR4.5.2, the program must have separate written and oral examinations. If the program considers the proposed report to serve as the written exam, then the report needs to be separated from the oral exam and the program needs to provide specific details as to its expectations for the content of the report and what constitutes successful passage.**

Please respond to their recommendations and comments and forward the revised program changes to me. As soon as the revised changes are received, it will go forward to the Programs and Courses Subcommittee for their review and recommendations. It is also helpful if you can reference each question when you send back your response.

If you have any questions, please contact me.
On 12/3/2010 2:17 PM, Ken Baerenklau wrote:

Gianfranco,

Yes, please rephrase to make clear that you will have both components and resend.

Thanks,
Ken

-----Original Message-----
From: Gianfranco Ciardo
[mailto:ciardo@cs.ucr.edu]
Sent: Friday, December 03, 2010 2:10 PM
To: Ken Baerenklau; Susan Stracener; Linda G. Scott
Cc: Amy Ricks;
laxmi.bhuvan@ucr.edu
Subject: Re: Senate Regs for written/oral qualifying exams

Dear Ken,

OK, so the Graduate Adviser Manual does not contradict the senate regulation, but the email we received yesterday from Graduate Division saying:

"the program must have separate written and oral examinations"

does contradict the Graduate Adviser Manual, which says:

"The examinations are written as well as oral and, at the discretion of the Committee, may be combined as one examination or given as separate parts."

Our proposed changes are in line with the latter, since we require the student to submit a written report to the committee at least a week before the oral exam.

It seems to me that we are all in agreement that what we are proposing is fine, except that we should have two forms for the committee, one that refers
to
the
written exam and one that refers to the oral exam. I guess the
confusion
stems
from the fact Graduate Division requires us to pass on to them only the
oral exam form.

Anyway, if my understanding is correct, may we rephrase the proposed changes
and resend them (by today or by Monday)?

-- Gianfranco

On Dec 3, 2010, at 1:16 PM, Dr. Laxmi Bhuyan wrote:

Can you please direct all the correspondence to our graduate advisor Dr.

Ciardo? I am copying him on this.

Susan Stracener wrote:

Dear Dr. Bhuyan:
I spoke with Associate Dean Ken Baerenklau regarding your question.

Below are his comments. Let me know if you have any further questions.

Sue

Our interpretation of the relevant senate regulations is that a student
cannot advance to candidacy without passing both written and oral components. These components may be entirely separate or they may be combined—for example, the oral component may focus on a written prospectus that has been submitted in advance to the qualifying exam committee. Therefore, the Grad Adviser manual does not contradict the senate regulation; rather it makes it clear that the written and oral components may be substantially related to one another. However, the bottom line is that there must be both written and oral aspects to the qualifying process. We enforce this by requiring programs to report the dates that a student passes each exam/component.

I hope this clears things up. Let me know if you have any other questions.

Ken

Kenneth A. Baerenklau, Ph.D.
Associate Professor of Environmental Economics & Policy
Associate Dean of the Graduate Division
University of California - Riverside

Sue Stracener
Senior Analyst
November 18, 2010

TO: Dr. Morris Maduro
Chair, Graduate Council

FR: Dr. Laxmi Bhuyan
Computer Science & Engineering

RE: Requested Catalog Updates for 2011-12

Dear Dr. Switzer:

The attached requested catalog changes were voted on and approved by the Computer Science faculty on November 10, 2010. The following is a justification for the changes.

Regarding the unit reduction request, the CSE faculty compared their Ph.D. unit and advancement requirements with other CS departments within the UC System and determined that reducing one graduate course requirement will be more in-line with other existing programs (who have between 10-11 courses) and an average of three years to advance (whereas CS at UCR has under two). The Department increased the program requirements a few years ago from 9 courses to 12 and now feel that settling on 11 units is reasonable and the best plan for the Ph.D. program.

Regarding the removal of separate and formal written exam request, the faculty decided to merge the written and oral exam in an effort to streamline requirements and facilitate presentation/delivery of research to oral committee. This will give the oral committee a better knowledge and background of the students’ research as well.

Thank you.
PROPOSED CHANGE TO COMPUTER SCIENCE GRADUATE REQUIREMENTS

PRESENT:
Doctoral Degree

The department of Computer Science and Engineering offers the Ph.D. degree in Computer Science, after completion of the following degree requirements. It provides a research-oriented education in preparation for a career in research, industry or academia and exploring both the fundamental aspects of computer science and engineering as well as their applications.

Satisfactory completion of CS 287 (Colloquium in Computer Science) each quarter of enrollment for full-time in-residence graduate students.

Course Work: The course requirements for the Ph.D. degree ensure that Ph.D. students are exposed to fundamental concepts and tools (core requirement), a deep up-to-date view of their research specialty area (depth requirement), and an advanced, up-to-date view the same topics outside their area (breadth requirement). Students are expected to complete all of these course requirements in the first two years of the program. These requirements consist of 48 quarter units of approved graduate or upper-division undergraduate courses, satisfying all four of the following course work categories. All of these courses must be taken for a letter grade, and no course can be counted towards more than one category. Students who have completed similar courses elsewhere may petition for a waiver of a required course or for substitution of an alternative course.

Units obtained in CS 270, CS 287, CS 290, CS 297, CS 298, CS 299, CS 301, and CS 302 cannot be counted in any course work category.

PROPOSED:
Doctoral Degree

The department of Computer Science and Engineering offers the Ph.D. degree in Computer Science, after completion of the following degree requirements. It provides a research-oriented education in preparation for a career in research, industry or academia and exploring both the fundamental aspects of computer science and engineering as well as their applications.

Satisfactory completion of CS 287 (Colloquium in Computer Science) each quarter of enrollment for full-time in-residence graduate students.

Course Work: The course requirements for the Ph.D. degree ensure that Ph.D. students are exposed to fundamental concepts and tools (core requirement), a deep up-to-date view of their research specialty area (depth requirement), and an advanced, up-to-date view the same topics outside their area (breadth requirement). Students are expected to complete all of these course requirements in the first two years of the program. These requirements consist of 44 quarter units of approved graduate or upper-division undergraduate courses, satisfying all four of the following course work categories. All of these courses must be taken for a letter grade, and no course can be counted towards more than one category. Students who have completed similar courses elsewhere may petition for a waiver of a required course or for substitution of an alternative course.

Units obtained in CS 270, CS 287, CS 290, CS 297, CS 298, CS 299, CS 301, and CS 302 cannot be counted in any course work category.

1. Core Requirement (12 units). Choose three courses from at least two of the three Core Areas described above, with no grade lower than B- and an overall core course GPA of at least 3.2.
2. **Depth Requirement (12 units)**. Choose three courses listed above under the same Major Area (A to G). This requirement ensures that Ph.D. students, early on in their careers, acquire some depth of knowledge in a particular research area.

3. **Breadth Requirement (12 units)**. Choose three courses from at least two different Major Areas (A to G) outside the student’s depth area. No course that is listed in the student’s depth area can be used to fulfill the breadth requirement, even if it is cross-listed in another area. Students, with the consent of the major professor, may petition for a non-CSE course to be counted towards the breadth requirement.

4. **Electives (12 units)**. The remaining courses can be selected from additional CS graduate seminars in CS 260, CS 261, CS 262, CS 263, CS 267, CS 269, and up to 8 units of approved undergraduate technical electives. Students, with the consent of the major professor, may petition for a non-CSE course to be counted as an elective.

**Milestones** The Department has established three milestones to mark progress towards the Ph.D. degree in Computer Science: advancement to candidacy, presentation of the dissertation proposal, and final oral examination. A Ph.D. student must also satisfy all applicable Graduate Division requirements for each milestone.

**Milestone I: Advancement to Candidacy.** A student advances to candidacy after he/she has completed all the Ph.D. course requirements described above, and passed both the written qualifying examination and oral qualifying examination described below. These two exams are intended to verify three components of the student’s preparation for Ph.D. research: (1) breadth of comprehension sufficient to enable Computer Science research in areas beyond the topic(s) of the research exam and dissertation; (2) ability to perform critical study, analysis and writing in a focused area; and (3) demonstrated research experience or ability to do research.

**Milestone II: Dissertation Proposal.** The student introduces a dissertation proposal that is intended to verify the student’s readiness to conduct research that is acceptable and competitive for publication in refereed journals or at established professional conferences. The dissertation proposal should demonstrate the student’s readiness to complete research that will lead to a dissertation contributing to the literature.

**Milestone III: Final Oral Examination.** The student demonstrates the ability to present and defend the dissertation proposal, including the dissertation research plan. The dissertation proposal should be completed and accepted by the dissertation committee before the final oral examination.
The Written Qualifying Exam. The written qualifying examination consists of a high-quality paper, solely authored by the student. This can be either a research paper containing an original contribution or a focused critical survey paper. The paper should demonstrate that the student understands and can integrate and communicate ideas clearly and concisely and should be approximately 10 pages, single-spaced. The organization and writing style of the paper should be suitable for submission to a first-rate technical conference or journal. It must represent work that the student did as a graduate student at UCR. Any contributions that are not the student's own, including those of the major professor, must be explicitly acknowledged in detail. The paper must be approved by the student's major professor prior to submission and must have a cover page with the advisor's signature, indicating approval. After submission, the paper is reviewed and must be approved by at least two other members of the faculty selected by the Department's Graduate Committee. The normative time for taking the Written Exam is the first quarter of the second year of graduate studies at UCR. The student must complete this requirement in no more than two attempts.

The Written Qualifying Examination. The written qualifying examination consists of a written report summarizing the oral presentation to be given at the oral qualifying examination. This report must be written in proper technical English and in the style of a typical Computer Science conference or journal publication, and must be submitted to the Qualifying Committee for approval at least one week prior to the oral qualifying examination.

Oral Qualifying Examination. The student is expected to demonstrate research aptitude by undertaking a research study on some topic (typically a problem from student's chosen research specialty that may be a promising area in which to conduct the dissertation research), under the guidance of his or her faculty major professor. The research must be presented orally to a Qualifying Committee, which is appointed by the Graduate Division based on nominations from the department. The committee evaluates the merits of the work and the student’s aptitude for research. The work must represent significant progress towards original and publishable research. A written report summarizing the oral presentation must be submitted to the Qualifying Committee at least a week before the exam. The student must complete this requirement in no more than two attempts. The normative time for taking the Oral Qualifying Exam is by the end of the second year.

Oral Qualifying Examination. The student is expected to demonstrate research aptitude by undertaking a research study on some topic (typically a problem from student's chosen research specialty that may be a promising area in which to conduct the dissertation research), under the guidance of his or her faculty major professor. The research must be presented orally to a Qualifying Committee, which is appointed by the Graduate Division based on nominations from the department. The committee evaluates the merits of the work and the student’s aptitude for research. The work must represent significant progress towards original and publishable research. The student must complete this requirement in no more than two attempts. The normative time for taking the Oral Qualifying Exam is by the end of the second year.
Dissertation Committee. After advancing to candidacy, the student must form a Doctoral Examination Committee chaired by his or her major professor. The committee will consist of at least four senate faculty members with at least three members belonging to the CSE department.

Milestone II: Dissertation Proposal Examination After advancement to candidacy, the student prepares a dissertation proposal that describes the dissertation topic, summarizes the relevant background literature, and presents a comprehensive research plan for the doctoral dissertation. The Dissertation Proposal Examination evaluates appropriateness of the research topic and the feasibility of the research plan. It also establishes a realistic timeline for the completion of the Dissertation. The Dissertation Committee administers this exam. The normative time for the Dissertation Proposal Exam is by the end of the third year. The Dissertation Proposal exam must be taken at least six months prior to the Final Doctoral Examination.

Milestone III: Final Doctoral Examination The student is required to write a dissertation in accordance with the Graduate Division requirements and may be required to defend it in a public oral final doctoral examination to the Dissertation Committee. After a satisfactory performance on the final doctoral examination, the Dissertation Committee recommends granting the Ph.D. degree. The student’s research and the dissertation must both meet the highest standards of originality and scholarship.

The normative time for the completion of a Ph.D. in CS is five years.

Dissertation Committee. After advancing to candidacy, the student must form a Doctoral Examination Committee chaired by his or her major professor. The committee will consist of at least four senate faculty members with at least three members belonging to the CSE department.

Milestone II: Dissertation Proposal Examination After advancement to candidacy, the student prepares a dissertation proposal that describes the dissertation topic, summarizes the relevant background literature, and presents a comprehensive research plan for the doctoral dissertation. The Dissertation Proposal Examination evaluates appropriateness of the research topic and the feasibility of the research plan. It also establishes a realistic timeline for the completion of the Dissertation. The Dissertation Committee administers this exam. The normative time for the Dissertation Proposal Exam is by the end of the third year. The Dissertation Proposal exam must be taken at least six months prior to the Final Doctoral Examination.

Milestone III: Final Doctoral Examination The student is required to write a dissertation in accordance with the Graduate Division requirements and may be required to defend it in a public oral final doctoral examination to the Dissertation Committee. After a satisfactory performance on the final doctoral examination, the Dissertation Committee recommends granting the Ph.D. degree. The student’s research and the dissertation must both meet the highest standards of originality and scholarship.

The normative time for the completion of a Ph.D. in Computer Science is five years.

**JUSTIFICATION:**

**Unit reduction:** The CSE faculty compared their Ph.D. unit and advancement requirements with other CS departments within the UC System and determined that reducing one graduate course requirement will be more in-line with other existing programs (who have between 10-11 courses) and an average of three years to advance (whereas CS at UCR has under two). The Department increased the program requirements a few years ago from 9 courses to 12 and now feel that settling on 11 units is reasonable and the best plan for the Ph.D. program.

**Removal of separate written exam:** The faculty decided to combine the written and oral exam in an effort to streamline requirements and facilitate presentation/delivery of research to oral committee. This will give the oral committee a better knowledge and background of the students’ research as well. The student will still be required to submit documentation for the approval of the written and oral examinations.
APPROVALS:
Approved by the Computer Science and Engineering Department: November 10, 2010
To: susan.stracener@ucr.edu  
From: Virginia Bustamante <virginia.bustamante@ucr.edu>  
Subject: Proposed changes to EEOB and Designated Emphasis additions

Dear Sue:

Please find below comments from the staff and Associate Dean of the Graduate Division. Please let me know if you have any questions concerning any of their comments. Thank you.

From Leah Haimo:

I have read the program changes proposed by EEOB, and they seem fine. I do not know why the faculty appear to have voted for these changes more than a year ago and we are only now seeing this request.

As far as the designated emphasis proposals are concerned, this is my first time encountering, as far as I know, a designated emphasis. I do not know what purpose they serve and who their intended students would be. I would need to know where the "DE" programs fit into our graduate programs and what our expectations or requirement are for these before I could evaluate the two proposals we just received.

From Ken Baerenklau:

Comments on EEOB:

This seems ok, but they should track the requirement internally for each student to avoid surprises when it is time for advancement and/or degree check. Otherwise they will end-up requesting waivers for this requirement, as well, from Grad Division if/when we inform them that a student has not met the requirement.

Comments on the Middle East Designated Emphasis:

1. Page 1, paragraph 2: "Students pursuing the DE in Middle East and Islamic Studies must complete its requirements before advancing to candidacy in their Ph.D. field." Per my discussion with Joe, and his discussion with the Council, this should be changed to: "S must complete its requirements within three academic quarters after advancing to candidacy."
2. Page 1, Requirements for Track One: I believe the Council may place a limit of 16 units on DEs. If so, the additional language requirement seems problematic. A solution might be to require demonstrated language proficiency through examination rather than units.
3. I believe the Council also may require that there is a "substantive" research component to the DE, which would likely be satisfied through a research paper in a course. How will the DE enforce this?
4. Is there a minimum GPA required to receive the DE?

Comments on the Book Studies Designated Emphasis:

1. Page 1, paragraph 3: "Students pursuing the DE in Book, Archive and Manuscript Studies must complete its requirements before advancing to candidacy in their Ph.D.
field." Per my discussion with Joe, and his discussion with the Council, this should be changed to: "S must complete its requirements within three academic quarters after advancing to candidacy."

2. Is there a minimum GPA required to receive the DE?

From Linda Scott:

I have no comments on the EEOB changes. They look fine.

As for the Designated Emphases they need to indicate that they cannot use the same courses towards a master's degree either. They say that they cannot use them for the PhD program they are in but some students pick up master's degrees too. Joe's overall guidelines (which he is writing right now I think) indicates that they cannot use the units towards any other degree.

In one of the two Middle East DE tracks they must have four quarters of a language. Do they mean that those units or that language cannot be used for their language requirement in the PhD program too?

From Victoria Long:

Changes do not apply to graduate admissions, so no comment.

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Virginia Bustamante
Graduate Division
University of California, Riverside
Phone: 951-827-4302
Fax: 951-827-2238
December 1, 2010

To:    Dr. Morris Maduro
       Graduate Council, Chair

Via:   Sue Stracener

From:  Dr. Kimberly Hammond, Director
        Evolution, Ecology, and Organismal Biology Graduate Program

Re:    Proposed revision to graduate program requirements
        Faculty voted and approved this revision on October 16, 2009

Justification: Students in the doctoral program of EEOB are currently required to register
in two research topics courses (BIOL 252 or equivalent and EEOB 265) during every
quarter of residence. This creates a problem for students who are unable to attend one or
both colloquia for legitimate reasons such as conflicts with other courses, conflicts with
assignments such as teaching assistantships, or research commitments off campus. At
present, each student must seek special permission to waive the requirements for EEOB
265 and BIOL 252 whenever such conflicts arise and these letters of permission must be
placed in the student’s file. To simplify this situation and avoid unnecessary problems
during the final degree check, we have reduced the requirements for each research topics
course to 5 quarters prior to advancement to candidacy and 12 quarters prior to completion
of the degree.

Our students typically advance to candidacy during their third academic year in the
program and the requirement for 5 quarters of each research topics course prior to
advancement will allow them to miss no more than one quarter during their first two years.
This satisfies our goal of introducing them to current research topics during the time when
they are developing their own research proposals.

The normative time to completion of a PhD in the EEOB is six years but some
students are able to finish within five years. Our requirement of 12 quarters prior to degree
completion is sufficient to ensure adequate participation in these courses by all students,
but not so stringent as to delay degree completion for students who wish to graduate in less
than the normative time.

This change was approved by vote of the EEOB faculty on October 16, 2009.
Present

Doctoral Degree
The Department of Biology offers the Ph.D. degree in Evolution, Ecology, and Organismal Biology, with specializations in Evolutionary Biology, Ecology, and Physiology & Biophysics. In addition to the general requirements of the Graduate Division, students intending to become candidates for the Ph.D. degree in Evolution, Ecology, and Organismal Biology must complete the following.

Course Work Course requirements are determined in consideration of the requirements of the student's area of specialization. Selection of specific courses is done by the guidance committee in consultation with the student. Each track requires EEOB 400, two 200-level disciplinary courses, a core course (or core course series) and the colloquium series-seminar (BIOL 252).

A. Evolutionary Biology
1. Disciplinary core course in Evolutionary Theory (EEOB 216 or the equivalent)
2. At least two disciplinary courses (EEOB 211, BIOL 212/ENTM 212/GEOL 212, EEOB 213, EEOB 214 EEOB 217, BIOL 219)
3. Current research topics course during each quarter of residence (BIOL 252 or another disciplinary colloquium and EEOB 265)

B. Ecology
1. Disciplinary core course in Ecology (EEOB 211)
2. At least two disciplinary courses (BIOL 212/ENTM 212/GEOL 212, EEOB 213, EEOB 217, BPSC 246, BPSC 247, BPSC 243, ENSC 232, SWSC 211/MCBL 211)
3. Current research topics course during each quarter of residence (BIOL 252 or another disciplinary colloquium and EEOB 265)

C. Physiology and Biophysics
1. Disciplinary core course in Physiology (EEOB 297; two units each in the first four quarters of residence for a total of 8 quarters)
2. At least two disciplinary courses (CMDB 200 or CBNS 200A, CMDB 201, CBNS 200B, CMDB 202, CBNS 200C, BIOL 203, EEOB 216, ENTM 201, ENTM 243)
3. Current research topics course during each quarter of residence (BIOL 252 or another disciplinary colloquium and EEOB 265)

Proposed

Doctoral Degree
No change

Course Work Course requirements are determined in consideration of the requirements of the student's area of specialization. Selection of specific courses is done by the guidance committee in consultation with the student. Each track requires EEOB 400, two 200-level disciplinary courses, a core course (or core course series) and two current research topics courses; EEOB 265 and a disciplinary colloquium series seminar (BIOL 252 or equivalent).

A. Evolutionary Biology
1. Disciplinary core course in Evolutionary Theory (EEOB 216 or the equivalent)
2. At least two disciplinary courses (EEOB 211, BIOL 212/ENTM 212/GEOL 212, EEOB 213, EEOB 214 EEOB 217, BIOL 219)
3. Two current research topics courses (BIOL 252 or another disciplinary colloquium and EEOB 265), each for a minimum of 5 quarters prior to advancement to candidacy and a total of 12 quarters prior to completion of the doctoral degree.

B. Ecology
1. Disciplinary core course in Ecology (EEOB 211)
2. At least two disciplinary courses (BIOL 212/ENTM 212/GEOL 212, EEOB 213, EEOB 217, BPSC 246, BPSC 247, BPSC 243, ENSC 232, SWSC 211/MCBL 211)
3. Two current research topics courses (BIOL 252 or another disciplinary colloquium and EEOB 265), each for a minimum of 5 quarters prior to advancement to candidacy and a total of 12 quarters prior to completion of the doctoral degree.

C. Physiology and Biophysics
1. Disciplinary core course in Physiology (EEOB 297; two units each in the first four quarters of residence for a total of 8 quarters)
2. At least two disciplinary courses (CMDB 200 or CBNS 200A, CMDB 201, CBNS 200B, CMDB 202, CBNS 200C, BIOL 203, EEOB 216, ENTM 201, ENTM 243)
3. Two current research topics courses (BIOL 252 or another disciplinary colloquium and EEOB 265), each for a minimum of 5 quarters prior to completion of the doctoral degree.
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* Internal Review
# UCR Graduate Council - Order of Reviews for Graduate Programs

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Proposed Guidelines for a DE

All graduate students admitted to Ph.D. programs at the University of California Riverside may participate in a Designated Emphasis, a specialization that might include a new method of inquiry or an important field of application related to two or more existing Ph.D. programs. The Designated Emphasis is awarded in conjunction with the Ph.D. degree and is signified by a transcript designation; for example, “Ph.D. in English with a Designated Emphasis in Medieval Studies” or “Ph.D. in Biology with a Designated Emphasis in Vector-borne Diseases.”

Graduate students who have completed a Designated Emphasis may be more competitive candidates for positions in their primary disciplines.

Designated Emphases comprise 12-16 additional units, where 4 of those units reflect a significant research product, whether a paper or poster. Designated Emphases are run by faculty groups consisting of at least one member from each of the cooperating Ph.D. programs. Proposals for Designated Emphases must be submitted to the Graduate Council and Graduate Dean for approval.

For a D.E. proposal:

1. Must have a specified number of units (no less than 12) to be taken in at least two departments/programs. All courses must be at the graduate level or require graduate level work (both quantity and quality) from the student.

2. Must specify the research requirement for the D.E.

3. Courses used for the D.E. MAY NOT also be counted toward the MA/MS or Ph.D. requirements. They must be IN ADDITION.

4. ALL D.E.s must have a committee that oversees the curriculum.

5. No DE should request extra resources in order to meet its obligation; this includes extra funding for Graduate Students because of increased time to degree or FTE in order to meet the teaching requirements.

6. The deadline for completion for the D.E. must be established in the proposal and may not be modified without Graduate Council approval. Although proposals may delineate a shorter deadline, the maximum time to D.E. that may be proposed is one calendar year from the quarter in which the candidate advances to candidacy.
January 11, 2011

TO: PETER CHUNG, CHAIR, PLANNING AND BUDGET
    DAVID PION-BERLIN, CHAIR, COMMITTEE ON RESEARCH
    JOSE WUDKA, CHAIR, EDUCATIONAL POLICY
    MORRIS MADURO, CHAIR, GRADUATE COUNCIL

FM: MARY GAUVAIN, CHAIR
    RIVERSIDE DIVISION

RE: REQUEST FOR SYSTEMWIDE REVIEW OF FUNDING STREAMS PROPOSAL

On behalf of Academic Council Chair Simmons, I enclose a request for systemwide review of a proposal to change the way funds are allocated across the campuses.

Proposed Changes:

In order to simplify University financial activity, improve transparency, and incentivize campuses to maximize revenue, beginning in 2011-12, all campus-generated funds will be retained by or returned to the source campus. The following current policies and practices that redistribute funds to UCOP and/or other campuses will be eliminated or changed as follows:

- Each location will retain all Educational Fee funds generated from its own students.
- Each location will retain all indirect cost recovery funds generated from its own contract and grant activity.
- All patent revenues, net of payments to joint holders and inventors, will be allocated to source locations.
- All Short-Term Investment Pool earnings, regardless of fund source, will be transferred to source locations.
- Each campus will retain its own graduate application fee revenue. Undergraduate application fee revenue will be distributed proportionately to the number of applications received by each campus.
- Existing assessments on medical center expenditures, auxiliary enterprise expenditures, and medical compensation plans that support UCOP administration through the UCOP Common Fund will be eliminated.

As always, if you feel it is not in your committee’s purview, you may elect not to opine. I would appreciate it if you would inform me should you choose not to opine.

Please submit your response by **February 8, 2011** to give the Executive Council and myself an opportunity to review and write a response that incorporates all your recommendations.
DIVISIONAL CHAIRS
SYSTEMWIDE COMMITTEE CHAIRS
UNIVERSITY OF CALIFORNIA

Re: Systemwide Review of Funding Streams Proposal

Dear Division and Committee Chairs:

Provost Pitts has invited the Academic Senate to opine on the attached proposal to change the way funds are allocated across the campuses. As you may know, the current methodology for allocating funds is complex and not transparent, and the Office of the President has undertaken a two-stage restructuring project that first addresses funding streams other than State General Funds and will subsequently address the allocation formula for State General Funds. The attached proposal represents the first stage of the project.

The Office of the President proposes as a basic principle that all funds generated on a given campus be retained by that campus with a flat assessment on all funding sources to support central functions, including UCOP, centrally administered academic and research programs, and non-campus expenditures by the Division of Agriculture and Natural Resources. Although funds for undergraduate financial aid would continue to be distributed as needed in order to maintain the same level of loan/work expectation for students across the system, funds for graduate financial aid would not. The proposal also includes changes in methodologies for distributing undesignated State funding augmentations and cuts.

The second stage of the project will begin later this month when a task force begins to meet to discuss principles for distributing State General Funds. That proposal will be sent for systemwide review when it is completed.

In order to allow the Academic Council to review your comments in time to meet the response deadline of March 1 requested in Provost Pitts’ letter, please submit your comments to SenateReview@ucop.edu by Thursday, February 17. As always, you may choose not to opine if you feel that the subject is not in your committee’s purview.
Sincerely,

Martha Kendall Winnacker, J.D.
Executive Director, Academic Senate

Encl (2)
December 22, 2010

ACADEMIC COUNCIL
VICE CHANCELLORS – RESEARCH
VICE CHANCELLORS – STUDENT AFFAIRS
GRADUATE DEANS

Dear Colleagues:

After lengthy consultation with a wide range of campus administrative and faculty leadership groups, attached for review and comment is a proposal to change the University’s policies and practices related to the distribution of funds across the system. The intention is to implement these changes for 2011-12. The document provides information about current funding policies and practices and describes the principles and recommendations for going forward. The primary principles we have discussed over the last several months haven’t changed. These include:

• Allowing all revenues to remain at source campuses;
• Implementation of a new assessment on campuses to support central operations;
• Maintenance of systemwide goals for undergraduate financial aid through modest redistribution of campus funds;
• Elimination of redistribution of graduate financial aid across campuses;
• Changes to methodologies for distributing undesignated State funding augmentations or cuts. (The “rebenching” process will begin in early 2011 and may supercede portions of the attached report.)

We appreciate your consultative role in moving this project forward and now ask for your official response to the proposal no later than March 1, 2011.

Sincerely,

Lawrence H. Pitts
Provost and Executive Vice President
Academic Affairs
Cc: President Yudof
    Executive Vice President Brostrom
    Vice President Lenz
    Vice President Beckwith
    Vice President Sakaki
    Vice Provost Greenstein
    Vice Provost Carlson
    Vice Provost Rumberger
    Associate Vice President Kelman
    Associate Vice President Obley
    Associate Vice President Reese
    Director Clune
    Executive Director Winnacker
    Chief of Staff Corlett
UNIVERSITY OF CALIFORNIA
FUNDING STREAMS PROPOSAL

December 21, 2010

Prepared by:
Budget and Capital Resources
Student Affairs
EXECUTIVE SUMMARY

Over the past two years, the Office of the President, in consultation with campus leadership, has been engaged in a comprehensive review of current fund allocation methodologies, with the goal of developing recommendations for the future. Recommendations:

1. **Overarching Principle:** Beginning in 2011-12, all campus-generated funds will be retained or returned to the source campus. Current policies and practices that distribute a share of fee funds, indirect cost recovery funds, patent revenues, Short-Term Investment Pool earnings, and application fee revenues to the systemwide budget and/or other campuses will be eliminated. Implementation of this principle will require “un-pooling” of General Funds revenues, which will be conducted in a manner that is largely revenue-neutral to campuses upon implementation.

2. **Systemwide Assessment:** UC will establish a broad-based assessment on campuses that will provide funding for central operations, including UCOP administration, UCOP-managed academic programs, systemwide initiatives and ongoing commitments, multi-campus research programs and institutes, and the non-campus operations of the Division of Agriculture and Natural Resources. Existing assessments on hospital expenditures, auxiliary enterprise expenditures, and the medical compensation plan will be eliminated. Operating expenditures from all campus fund sources will be included in the base for calculation of the assessment, which will be based on a single rate applied to all fund sources. Campuses will provide a specified share of the assessment as State General Funds, but may use any other fund sources (allowable by law) to pay the remainder of the assessment. The transition will be close to revenue neutral during the first year, but going forward, the distribution of the assessment across campuses will depend on variation in the growth of expenditures. Operating budgets for assessment-funded activities will be reviewed annually, and the assessment rate will be reviewed every few years.

3. **Undergraduate Financial Aid:** Funding of the undergraduate University Student Aid Program (USAP) will be handled separately and will be an exception to the overarching principle. Each year, campuses will be directed to allocate a specified share of fee revenues to USAP. As needed, campuses may be assessed a specific amount for redistribution to other campuses in order to achieve the Education Financing Model goal of equal loan/work levels across the system. Only the delta between the share of funds dedicated to USAP and the amount needed by each campus to achieve the systemwide goal will be redirected.

4. **Graduate Financial Aid:** Under the new model, cross-campus support for graduate USAP will be eliminated. Each year, campuses will be directed to allocate a specific share of fee revenues to graduate student support and fee remissions. Separate shares will be calculated for graduate academic and graduate professional students, but shares within those categories will be equal across campuses. Campuses will retain the flexibility to dedicate additional revenue to graduate student financial support as desired.

5. **Future State Funding Augmentations:** Any future undesignated State funding augmentations will be allocated on the basis of budgets for State General Funds and Educational Fee\(^1\) revenue (net of financial aid). Registration Fee, Nonresident Tuition, professional degree fee, federal indirect cost

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\(^1\) During 2010, the Regents acted to rename various tuition and fee charges. At the May 2010 meeting, the Regents changed the name of the Registration Fee to the Student Services Fee. At their November 2010 meeting, the Regents changed the name of the Educational Fee to Tuition, the name of Nonresident Tuition to Nonresident Supplemental Tuition, and the name of professional degree fees to Professional Degree Supplemental Tuition. Changes are effective for the 2011-12 academic year. Due to the historical nature of this document, these charges will be referred to by the old nomenclature.
recovery, and other UC General Fund revenue will be excluded from the base for calculating the distribution.

6. **Future State Funding Reductions:** Any future undesignated reductions in State funding will be allocated on the basis of budgets for State General Funds, Educational Fee, Nonresident Tuition, and professional degree fees (all net of financial aid).

7. **General Fund Cost Increases:** Because campuses will retain all funds generated from Educational Fee and UC General Fund revenue increases, UCOP will no longer provide allocations of funds for General Fund cost increases, except for new State General Funds as described above.
I. PROJECT OVERVIEW

The University of California is a large, complex organization, and the revenue generated to support more than $20 billion in annual operating expenditures is derived from numerous sources. These sources vary with respect to levels of legal, market, and/or historical restrictions on spending and practices related to distribution within the University.

Over the years, various requests to change allocation policies have been submitted to UCOP leadership. A particularly significant issue has been the treatment of Educational Fee revenue, which under current practice is used to offset inadequate State funding across the system and is not necessarily retained by the source campus. Other issues raised in recent years include:

- Decentralizing student aid funding
- Simplifying the accounting for federal indirect cost recovery (ICR)
- Eliminating disincentives resulting from systemwide redistribution of state ICR
- Simplifying the methodology for distributing private ICR;
- Returning interest income to source campuses
- Abolishing the General Fund contribution from patent income
- Tying the use of funds to their source

Following various requests for changes in the way certain funds are distributed across the University system, in 2008, the Office of the President initiated a comprehensive review of the treatment of all University fund sources.

Initially, the project involved research and documentation of historical and recent practices, and a series of presentations to campus and UCOP leadership describing the current funding allocation model.

Subsequently, the UCOP Budget and Capital Resources unit engaged in a series of meetings with campus vice chancellors for planning and budget to discuss and develop proposals for new models. Additional consultation occurred with chancellors, executive vice chancellors, other systemwide leadership groups, working groups of the Commission on the Future, and the Planning and Budget Committee of the Academic Council. This proposal represents the outcome of this consultative process.

The next section provides a brief overview of several contextual issues that have guided funding allocations historically. Section III provides a review of historical and current allocation policies and practices for most fund sources. Not included in this review are funds supporting direct contract and grant expenditures, campus foundation gifts and grants, and other fund sources that are retained by campuses. Discussions of current practices related to student financial aid are included at the end of this section.

Section IV provides a more detailed description of the proposed changes to existing policies and practices, including a description of a proposed new systemwide assessment to support central operations.
II. HISTORICAL CONTEXT

Several historical factors have shaped the context that led to the current state of UC funding allocation policies and practices.

Centralized Budget Control for Certain Revenue Streams
In the past, certain revenues have been collected by UCOP and redistributed to promote systemwide priorities. These included all State General Funds; Educational Fee funds; indirect cost recovery of federal, state, and private research contracts and grants; application fee revenue; and a share of patent revenue. The funds were used to the benefit of the campuses (e.g., to assist growth campuses, new schools or new programs with either operating funds or loans for building projects); for systemwide projects (e.g., Keck Telescope, EAP, UCDC); and to support activities not funded by the State or inadequately funded by the State.

Other funds, such as hospital and auxiliary revenues, Registration Fee and campus-based fee funds, and others were retained by source campuses.

Over time, policies have changed so that some of these revenues have been retained by or returned to source campuses. These changes are described in more detail later in this document, but the University is now in a position such that similar fund sources may be treated inconsistently and the rationales for ongoing processes are no longer clear.

The State’s Interest in UC Funds
Historically, the State paid greater attention to UC’s non-State sources of revenues. The view of the State was that, to some degree, revenues UC generated from student fee and tuition charges, indirect cost recovery on research contracts and grants, and intellectual property licensing should reimburse the State for its past investments in UC. This philosophy is the reasoning behind the various contributions to the UC General Fund from such fund sources. For many years, State funding for UC was offset by any increases in funding from these other non-State sources. During the 1990s, with the advent of compact agreements that included base budget adjustments calculated as a percentage of the State’s contribution to UC, the offset practice was eliminated.

Bifurcation of Fund Sources
Some original fund sources are divided into multiple funds before expenditure. For example, federal indirect cost recovery funds are divided into four different funds, including a General Fund contribution. Patent revenue is broken up to create a General Fund contribution separate from campus discretionary funds. This complicates efforts to track funds and to explain how funds are spent, but historically these bifurcations served the University well in budget negotiations with the State; only the UC General Fund portion of these sources was included in calculating the offset of the State’s contribution, while the non-General Fund share was UC’s alone.

Incremental Budgeting
Under incremental budgeting, the University annually distributes only new funding increments or decrements, according to current principles and priorities. Typically, base budgets are not redistributed across the system; only new funds or budget cuts are distributed. Levels of campus funding vary for a wide range of reasons, including enrollments, disciplinary mix, research intensity, decisions of campus chancellors, historical changes in State funding, and decisions of past presidents with respect to allocation models.

Pooling of Funds
In the past, for budgeting purposes, the University has pooled revenue from State General Funds, Educational Fees, Nonresident Tuition, state indirect cost recovery, a portion of federal indirect cost
recovery, and other sources into a single fund number (19900) for General Funds. One reason was to simplify the expenditure of these funds. In accounting reports, expenditures are pro-rated to their original fund sources.

This pooling of funds complicates matters because the accumulated decisions of past Presidents and the incremental allocation of new funding for University priorities means that the original source of budgeted funding for a particular program or campus may be difficult to identify.

Display 1: Pooling and Distribution of General Funds

Cross-Subsidization
The practices of centralization of revenues, bifurcation, and pooling of fund sources, as well as the multiple and intricately linked missions of the University’s faculty and many University employees, means that funding sources ultimately cross-subsidize different aspects of the University’s operations. For example, fee increases ultimately help support the University’s research arm by providing funds to increase faculty salaries. State funding for graduate student enrollment similarly helps support the research enterprise. The high tuition charged to nonresident undergraduates may help fund fellowships for graduate students. Student fee revenue derived from lower-cost disciplines may subsidize instructional equipment purchases in other areas. Student fees for general campus instruction may subsidize the health sciences, while indirect cost recovery on health science research provides a complementary subsidy for general campus activities. This cross-subsidization occurs both at the campus level and at the systemwide level.
III. HISTORICAL AND CURRENT POLICIES AND PRACTICES

This section provides an overview of historical and current policies and practices related to major fund sources.

State General Funds
The use of State General Funds is driven by the annual State budget act. Funds are provided to the University largely without strict designations, but must be used consistently with both recent and long-standing agreements with the State administration and the legislature. The budget act typically designates some funds for specific activities, often termed “line items” or “earmarks.”

In recent years, under various compacts and partnership agreements, significant State funding augmentations have been provided as undesignated base budget adjustments. While some of this funding has been set aside for special initiatives, the bulk of this funding has been pooled with other new General Fund and fee revenues and allocated to campuses and allocated proportionately to adjusted General Fund and Educational Fee base budgets. Similarly, when the State makes undesignated reductions to funding for UC, such cuts are passed on to campuses proportionately to campus base budgets.

In recent years, new State funding has been provided for enrollment growth, including funding for growth in health sciences programs. New State General Funds for enrollment growth, based on an agreed-upon marginal cost of instruction calculation, is typically allocated to the campuses according to existing enrollment growth plans. In 2006-07, an increase to the marginal cost was provided for operation and maintenance of plant. During 2005-06 through 2007-08, these funds were set aside and distributed to campuses with new State-supportable facilities being placed in use. Any new funds for special initiatives (such as funding for the Science and Math Initiative provided in 2005-06 and 2006-07) have been allocated for those purposes.

Student Tuition and Fee Revenue
The University generates revenue from students through a variety of different tuition and fee charges. These charges have been treated in different ways over the University’s history.

Educational Fee
The Educational Fee was established by the Regents in 1970 for general support of the University. The UC Student Fee Policy, established by the Regents, includes a statement that fee levels should be established based on consideration for maintaining access under the Master Plan, sustaining academic quality, and achieving the University’s overall mission.

New Educational Fee revenue is derived in two ways: through student enrollment growth and through increases in the level of the Educational Fee. Revenue from these two sources is treated differently.

Each year, a portion of new revenue generated from both sources is set aside for student financial aid. In recent years, the University has set aside an Educational Fee amount equivalent to 33% of the combined amount of new (fall/winter/spring) Educational Fee and Registration Fee revenue from undergraduate and professional students. For graduate academic students, the amount set aside is equivalent to 50% of combined new fee revenue. These funds are then allocated to campuses for student financial aid according to principles associated with the University’s undergraduate and graduate financial aid programs. These allocations are discussed later in this document.

After deducting the financial aid set-aside, remaining new Educational Fee revenue derived from enrollment growth is allocated to the source campuses – that is, the campuses experiencing enrollment growth in proportion to the number of new full-time equivalent students enrolled at the campus.
The remaining amount of new Educational Fee revenue derived from increases in the fee level is allocated according to the priorities approved by the Regents in the annual budget. Since the early 1990s, the Regents have approved increases in the Educational Fee to offset the cumulative impacts of budget cuts and cost increases. Based on these priorities, new revenue from Educational Fee increases has been pooled with other new General Fund revenue (when available) and distributed to campuses as an augmentation to adjusted General Funds base budgets rather than on the basis of where the revenue was generated. In some years, fee increases have also provided funding for special initiatives.

The result of this longstanding practice is that new Educational Fee revenue generated by a campus does not necessarily remain at that campus. For various reasons, the distribution of student enrollments does not match the distribution of General Funds base budgets. When student fees were modest, this consequence was not a major concern. Over the last decade, with student fees rising to levels approaching the level of per-student support from the State, concern has been expressed about the fairness and appropriateness of using student fees derived at one campus to fund increases in faculty salaries and other costs at another campus.

During summer terms, the University charges per-unit fees equivalent to the Educational Fee (and the Registration Fee). This fee revenue is entirely retained by the source campuses for support of summer instruction and support activities.

Registration Fee
Revenue from the Registration Fee is fully retained by the source campus. Over the last 20 years, no Registration Fee revenue was used to fund student financial aid; instead, the Registration Fee share of return-to-aid funding was funded from Educational Fee revenues. In May 2010, the policy governing the Registration Fee was changed to require a return-to-aid component from increases in the fee. This requirement will be implemented beginning in 2011-12.

Professional Degree Fees
Professional degree fees were first established by the University in 1990-91 with the creation of the $376 Special Fee for Law and Medicine, but were expanded significantly during 1994-95 and subsequent years to allow UC’s professional schools to offset reductions in State support and maintain quality. During the mid-2000s, the Regents’ policy governing professional degree fees has since been revised to require that revenues not be used to offset reductions in State support. According to the policy, revenue generated from professional school fees is retained by source campuses.

Nonresident Tuition
In lieu of State support, the University charges Nonresident Tuition, in addition to mandatory and other student fees, to nonresident students. Before 2007-08, campuses were not assigned nonresident enrollment or revenue targets. Nonresident Tuition revenues were collected by UCOP, pooled with other General Funds, and used to support systemwide budget priorities.

In the mid-2000s, several events occurred. First, various factors led to declines in the number of nonresident students paying Nonresident Tuition, particularly the implementation of AB540, which allowed Nonresident Tuition to be waived for students who were not legal California residents but had attended a California high school. Shortfalls in budgeted revenue were running at $20 million annually during the middle of the decade. Second, faculty leadership expressed a desire for greater transparency in the use of Nonresident Tuition revenues. Third, the State focused its attention on the enrollment of State-supported students rather than on total enrollment.

In 2007-08, based on a systemwide revenue target and the distribution of nonresident enrollments by campus, campuses were assigned Nonresident Tuition revenue targets. These revenue targets were budgeted by each campus in a separate fund number for Nonresident Tuition (19942), and equivalent
amounts of unspecified General Funds (19900) were withdrawn. From that point forward, each campus retained all Nonresident Tuition revenue it generated. Similarly, each campus became responsible for addressing its own revenue shortfall if one occurred. The implication at the time was that each campus either needed to increase its enrollment of nonresident students in order to meet the budgeted revenue target or determine how the campus would address the revenue shortfall that resulted from under-enrollment of nonresident students. This change also meant that campuses were assigned a specific target for enrollment of State-supported students for the first time.

Application Fee Revenue
Based on a long-standing agreement with the State, most application fee revenue is treated as UC General Funds. UC practice has been to count all undergraduate application fee revenue and two-thirds of graduate application fee revenue as General Funds. One-third of the undergraduate application fee revenue is used to support systemwide application processing or distributed to campuses. The remaining UC General Fund revenue is pooled with other General Funds and used to support systemwide priorities. The remaining one-third of graduate application fee revenue not counted as UC General Funds is retained by the source campus.

Self-supporting Program Fees
Self-supporting graduate programs, such as executive MBA programs, receive no State support and are typically funded entirely from student fee revenue. Revenue is fully retained by sources campuses and used to support program costs. Any excess revenue is allocated at the discretion of the chancellor.

Other Fees
In addition to the fees described above, the University generates revenue from fees established to cover the costs of specific programs and activities or to fund debt service on facilities. Some campus-based fees are established by student referendum, with subsequent approval by the President. Others are established by chancellors, such as course materials and services fees, which provide for materials consumed by students during the course of instruction or for highly specialized instructional activities. Chancellors may also establish administrative and user fees, such as library fines, etc. Except for a small annual contribution to UC General Funds, all of these fees are retained by campuses.

Indirect Cost Recovery on Research Contracts and Grants
Indirect costs are those expenses that cannot be charged specifically as direct costs to one particular contract or grant, but instead are incurred for common or joint objectives of several contracts or grants. Indirect costs are real costs incurred by the institution to acquire and maintain its buildings and equipment, and to provide operational support. These support services include maintenance and operations (utilities, janitorial services, police services, etc.), library operations, and administrative services, among others. All of these costs are real, and without these activities, the institution could not function. For example, accounting and payroll services are administrative functions that are not directly identifiable to a specific project or activity; however these services are necessary to conduct the business of the University, including research.

Because these costs are not charged against a specific contract or grant, indirect costs initially must be financed by University funds, including State General Funds, with reimbursement later provided by the granting agency.

When the University receives indirect cost reimbursements, the funds can be used to repay the original funding source, such as General Funds. In the period between the 1960s and 1980s, the State maintained that it was entitled to a major portion of the funds recovered by the University as indirect costs since these costs, when they were incurred, were being paid from State General Fund appropriations. The University argued for the right to retain a major portion of the indirect cost receipts.
for its own use. Central to this debate was the tacit acknowledgement by both parties that the funds were to be budgeted as additional income in the year after they are received, since at least some of the costs that they were intended to cover were incurred and paid in prior years, and current indirect costs were being paid by currently budgeted funds. This treatment is analogous to the actions of someone who pays for a business expense out of a personal bank account and uses the reimbursement received for that expense for other purposes, rather than simply depositing it in the bank account which originally bore the expense. On a much larger scale, this is the premise underlying discussions over treatment of indirect cost receipts, whether the discussions take place between the State and the University, between the campus and the Office of the President, or between a dean and the Chancellor’s Office.

The distribution of federal, state, private, and other indirect cost recovery funds is guided by several agreements between the University and the State and between the systemwide administration and the campuses, as well as by State law. These agreements and the evolution of practices over the years have both provided the University system, and later the individual campuses, with greater flexibility in budgeting and expending of ICR funds.

**Federal Indirect Cost Recovery**

Allocation of federal indirect cost recovery revenue is based on historical agreements with the State dating to 1958. Originally, only the indirect costs from federal contracts were retained by the University and the State’s contribution to UC’s budget was offset by the indirect cost fund revenue. In 1967, the arrangement was expanded to include federal grants. The 1967 agreement also allowed the University to deduct some of the receipts as “Off-the-Top” to fund the costs of contract and grant administration, with the balance to be split equally between the State General Fund and the University. In 1979-80, the agreement was modified to allow the University to set aside 19.9% for contract and grant administration with 55% of the remainder to be returned to the University’s General Fund and 45% to be retained by the University as “Opportunity Funds.”

In 1990, the State approved legislation authored by Senator John Garamendi authorizing the use of indirect cost reimbursements for the construction and maintenance of certain research facilities. Under the provisions of the legislation, the University is authorized to use 100% of the reimbursement received as a result of new research conducted in, or as a result of, the new facility to finance and maintain the facility.

Historically, any amount of federal indirect cost recovery above the amount projected in the General Fund budget was treated as an offset to State support. In other words, UC did not benefit from the General Fund share of any additional federal ICR revenue. During the 1990s, with the onset of “compact” agreements with the Governor, UC negotiated and reached an agreement with the State Department of Finance that allowed UC to keep all excess indirect cost recovery.

Internally, the history of allocations of federal indirect costs at UC has been one of increasing decentralization. Over the past few decades, the Office of the President has returned more and more control of these funds to the source campuses.

Prior to July 1982, Off-the-Top Funds were returned to the campuses roughly in proportion to the amount of indirect cost recovery generated by each campus. In accordance with the State agreement, these funds were to be used for research administration expenses. Opportunity Funds, on the other hand, were allocated to campuses on an ad hoc basis for “urgent needs” without regard to the amount generated by each campus.

In 1982, internal allocation policy was changed by President Saxon so that both the “off-the-top” and Opportunity Funds portions would be returned to the campuses in proportion to the amounts
generated, to the degree considered feasible by the president (with a small amount retained for the funding of systemwide programs). Since the late 1990s, source campuses have retained 94% of Off-the-Top Funds and Opportunity Funds, net of revenue returned for Garamendi facilities costs. The remaining 6% of funds is used to support UCOP administration and various systemwide programs such as the Education Abroad Program and the California Institutes for Science and Innovation.

Prior to 1999-00, the entire General Fund share of federal indirect cost recovery was pooled with other General Funds and was allocated according to systemwide priorities of the time. Funding was not returned directly to the campus where it was generated. Funds were permanently allocated to campuses to fund faculty salary increases, staff salary increases, other cost increases, and new programs and initiatives. These funds are not annually withdrawn and remain part of the base budget at each location. Therefore, each year a share of federal indirect cost recovery must continue to be pooled with other General Funds to pay for the earlier permanent allocations.


In the late 1990s, during a period of significant growth in federal grant funding, campuses expressed concerns about the distribution of the General Funds share, and President Atkinson established a new policy for distribution. In 2000-01, a unique fund number (19933) was created to track the indirect cost recovery in the General Fund. The 1999-00 fiscal year was established as the base year and the General Fund contribution from each campus was benchmarked based on revenue from that year. Each year since, any indirect cost recovery up to that base amount is designated as 19900 funds. For any amount of indirect cost recovery over this base amount, 94% is allocated to the source campus and recorded in fund number 19933. The remaining 6% of any new funding is designated as 19900 funds along with the base for campus block allocations, UCOP administration, systemwide programs, and initiatives. As a
result, source campuses have retained 94% of the General Fund share of any growth in federal indirect cost recovery generated since 2000 (after setting aside Garamendi financing funds).

As a result of State policy on UC’s federal ICR and UC’s own internal allocation policies, the budgeting of federal ICR funds is complicated and difficult to explain. The bottom line, however, is that under present policies for every new federal ICR dollar a campus has generated beyond the base that existed in 2000, the campus has retained at least 94 cents.

Indirect Cost Recovery on State Contracts and Grants
UC has a long standing agreement (a 1970 memorandum) with the State that overhead recovery from State agency agreements, contracts, and grants helps support the UC General Fund budget and is returned to the campuses as support for State-funded programs.

Internal UC policy has been to pool state indirect cost recovery funds with other UC General Funds, which are then used to support the University budget through normal block allocations to campuses and funding for specific systemwide and campus initiatives. Campuses have argued that this policy results in a disincentive for increasing the amount of state contracts and grants and state ICR rates. In 2000, a proposal was made to treat state ICR funds in a manner similar to federal indirect cost recovery, with the establishment of a separate fund number for tracking allocations, but this proposal was never implemented.

Since 2007, the indirect cost recovery associated with grants from the California Institute for Regenerative Medicine (CIRM) has been treated differently from other state ICR revenue for two reasons. First, campuses expressed concern that source campuses would not receive their fair share of revenue generated. Second, concerns were expressed about conflict of interest for UC campus representatives on the CIRM governing board. All indirect cost recovery on CIRM grants is returned directly to campuses if they can provide evidence that the funds are actually used to offset costs incurred by CIRM grant activity.

Private Indirect Cost Recovery
With the exception of ICR on clinical trials, all indirect cost recovery on private contracts and grants is recorded in the Educational Fund, which was established in 1964 and designated to be used for the special needs of the University’s educational programs. Since a 1967 agreement (restated in the 1979 memorandum) with the State, it has been agreed that overhead revenue from private contracts and grants is to remain with the University without any compensatory adjustment in the State’s contribution to UC.

Prior to 1996, allocations from the Educational Fund were made on an ad hoc basis, representing the systemwide priorities at the time, and over the years a number of permanent funding commitments were made. In addition, an Educational Fund reserve was established as a fund functioning as an endowment to provide annual income for support of some activities.

In 1996, existing permanent Educational Fund allocations were benchmarked and, from that point forward, growth in private indirect cost recovery has been returned to generating campuses, net of a share to address inflationary cost increases for UCOP administration, systemwide programs, and initiatives funded from the Educational Fund. In addition, campuses were allowed to retain 100% of indirect cost recovery earned on clinical drug trials, without any systemwide contribution.

Just as the distribution of federal ICR is complicated, the methodology used to calculate the inflationary amount of private ICR retained by UCOP is also complicated and difficult to understand. Essentially, in any given year an inflationary factor is applied to the total private ICR revenue generated by a campus in the prior year. That inflationary amount is set aside for designated allocations by the President and any
remaining growth in funding over the prior year (or a net reduction if growth is less than the inflation factor) is distributed to the source campus as an undesignated allocation.

Because of this methodology, in order to increase its return a campus must generate revenue growth that exceeds the inflationary contribution every year. The proportion of new revenue retained by the campus rises as revenue growth increases beyond the inflationary contribution. The methodology makes campus shares somewhat unpredictable from year to year but also makes it imperative that a campus generate new revenue, lest its share of existing revenue decline over time. In fact, in order to maintain a 75% share of revenue, a campus must generate growth equivalent to four times the inflationary contribution retained for systemwide allocations.

At the time the distribution policy was changed in 1996, campuses retained approximately 34% of revenue (net of STIP interest and ICR on clinical trials) as undesignated allocations. By 2007-08, that share had grown to 76%. Campuses have been allocated nearly 90% of growth in private ICR since 1995-96. Due to the variation in revenue growth by campus, undesignated allocations of revenue generated by the mature campuses ranged from 67.5% at Riverside to 83.8% at Santa Cruz during 2007-08. Merced received 96.2% due to its rapid growth in private ICR.

**Intellectual Property Royalty Income**

Patent revenue appears in the University budget in two categories: as a component of UC General Funds and under Special Funds Income—Other. Income derived from royalties and fees, less the sum of payments to joint holders and less net legal and direct expenses, is distributed in various shares as required under University and campus policies.

First, the University Patent Policy grants inventors the right to receive 35% of net income accruing to individual inventors. Second, the 1997 revision to the patent policy established that 15% of net income from each invention licensed since 1997 be designated for research-related purposes at the inventor’s campus or National Laboratory. Third, based on a long-standing agreement with the State, 25% of the patent revenue remaining after deducting payments to joint holders, net expenses, and inventor share payments is allocated to the General Fund. This General Fund share is pooled with other General Funds and allocated for systemwide priorities. Finally, all income remaining after deductions and other distributions is allocated to the campuses. Campuses expend these funds at the chancellor’s discretion.

**Short Term Investment Pool Earnings**

The University earns income from funds held temporarily in the Short Term Investment Pool (STIP). The handling of these earnings parallels the way UC’s fund sources have been treated historically. For funds historically collected and redistributed by UCOP, STIP income has similarly been retained by UCOP and reallocated for systemwide priorities. For example, all STIP income accrued from General Fund, Off-the-Top Fund, Opportunity Fund, and Educational Fund balances are retained and reallocated by UCOP, even if the balance amount is held by a campus. For funds historically managed by campuses without involvement by UCOP, STIP income accrues to the source campus. Thus, STIP income on Registration Fee, professional school fee, and hospital and auxiliary revenue balances is returned to the source campus.

The retention of STIP income for certain fund sources by UCOP creates incentives for campuses not to maintain balances in those fund sources. For General Funds, this may be considered a good outcome, since State funds and student fees should be expended largely in the current year. However, the policy creates an unfair playing field for campuses. Campuses with hospitals and significant sources of other funds have a greater ability to maintain balances in funds from which UCOP does not sweep STIP income. Other campuses with fewer resources have limited ability to maintain reserves outside of the UCOP-swept funds.
In November 2010, UCOP took action to change current practice and to return all STIP earnings to source campuses, beginning with earnings generated during the first quarter of 2010-11.

**Self-supporting Enterprises and Other University Activities**
Under current practice, certain self-supporting enterprises pay assessments to support UCOP administration through the UCOP Common Fund.²

**Medical Centers and Auxiliary Enterprises**
Prior to 1991, UC’s medical center and auxiliary enterprises supported UCOP administrative activities through recharges. In 1991-92, the University established a tax on medical center and auxiliary expenditures that contributed to the Common Fund. At that time, the tax was established at 0.2% of expenditures. Tax rates fluctuated during that decade, and the medical center tax rate was raised to 0.26% in the early 2000s. The auxiliary tax rate remains at 0.2%.

**Health Sciences Compensation Plans**
Campuses contribute a fixed dollar amount from health sciences compensation plan revenues to the UCOP Common Fund that is adjusted annually. In 2007-08, the plans contributed $108,000.

**University Extension**
Campuses retain all revenues from University Extension and make no contribution to systemwide administration from this revenue source.

**Undergraduate Financial Aid**
In 1995, UC adopted a common systemwide strategy to implement the financial aid policy adopted by the Regents in 1994. That strategy – known as the Education Financing Model (EFM) – drives all aspects of UC’s undergraduate financial aid program: how UC determines its overall funding commitment, how University Student Aid Program (USAP) funds are allocated to campuses, and how campuses award funds to students. The strategy reflects a simple principle: “Put the money where the student need is.” Operationally, this principle results in approximately the same student self-help level (the amount that UC expects students to work and borrow) at every campus.

To date, the strategy has served UC and its students well:

- The strategy allows the President to describe UC systemwide priorities when speaking to the Regents, the legislature, and the public about UC affordability and the impact of fees on UC students.
- Having a coherent systemwide approach to student aid that is focused on total cost (fees, room and board, books, etc.) has helped UC defeat repeated proposals from the Legislative Analyst’s Office to cut UC’s undergraduate financial aid budget and to redirect those funds to the Cal Grant program, which is focused solely on fees.
- By allocating funds based on student need, the strategy ensures that students are not penalized for attending a campus that enrolls a high proportion of low-income students or is located in a high-cost area. Similarly, campuses are not penalized for enrolling low-income students.
- The strategy translates into campus allocations that are formula-driven, which has reduced the debate and *ad hoc* decision-making that characterized prior annual allocations.

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² In addition to other fund sources, the UCOP Common Fund supports administrative activity at UCOP. The Common Fund is derived by pooling revenue from a variety of fund sources (17 in 2008-09), including indirect cost recovery on federal and private contracts and grants, earnings from funds functioning as endowments, and assessments on various University activities.
The strategy enjoys broad support among campus constituents, who generally agree that financial access is a systemwide goal and that the current approach is a fair way to achieve it.

Since campuses are funded at the same self-help level, the strategy prevents campuses from using financial aid funds from systemwide fee revenue to compete against each other for students. Each campus is similarly accessible to every student.

Despite rising costs, UC has maintained a remarkable track record with respect to affordability – systemwide and at each campus – as measured by the economic diversity of its students, debt at graduation, graduation rates for low-income students, and other measures.

The current strategy results in some campus cross-subsidization of systemwide fee revenue, the primary USAP fund source. Fee revenue is redistributed from campuses with relatively lower-need students to those with relatively higher-need students. To date, this has generally been viewed as a worthwhile practice in light of the systemwide nature of UC’s commitment to financial accessibility.

The current methodology is sensitive to changes in campus need over time; campuses have evolved from high-need to low-need campuses or vice versa, as their student populations and costs have changed.

Graduate Financial Aid

The distribution of graduate USAP funds has been based on the systemwide goal of offsetting campus cost increases rather than addressing student need. Graduate USAP funding is currently disaggregated into various categories (“buckets”), each of which has its own intended use, revenue source, permitted use, and allocation basis. For example, funding for teaching assistant fee remissions is distributed based on undergraduate enrollment, while funding for professional degree student financial aid is distributed based on professional degree student enrollments.

Issues with the current methodology include the following:

- **Complexity:** The multiple buckets prevent transparency and hinder campus planning.
- **Lack of flexibility:** The separate restrictions on the use of individual buckets limit campuses’ ability to address their own most pressing graduate student support needs.
- **False precision:** The current approach entails an extremely data-intensive process for determining campus “need” that relies on a host of questionable assumptions.
- **No clear principle:** Each USAP bucket and its associated allocation strategy emerged over time to meet a specific need in an ad hoc way.

In addition, each campus has a permanent base budget of graduate financial aid funds that were decentralized during the 1990s, and more recently, separate allocation methods have been established for ad hoc additions to systemwide graduate student support and in some cases have involved unfunded campus mandates.
## Summary of Current Assessment and Reallocation Policies by Fund Source – 2000-2010

<table>
<thead>
<tr>
<th>Fund Sources</th>
<th>Distribution</th>
<th>Assessment</th>
<th>Key Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Funds</td>
<td>Incrementally</td>
<td>n/a</td>
<td>• Distributed per allocation principles laid out by President Atkinson in 1996 and Regental expenditure priorities</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational Fee - FWS</td>
<td>Redistributed</td>
<td>varies</td>
<td>• Portion set aside for return-to-aid</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Enrollment growth share returned to campuses</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Fee increases pooled with other General Funds and allocated per Regental priorities</td>
</tr>
<tr>
<td>Educational Fee - Summer</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Campuses responsible for setting aside financial aid;</td>
</tr>
<tr>
<td>Registration Fee</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Uses generally restricted to student services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• No set-aside for financial aid</td>
</tr>
<tr>
<td>Professional Degree Fees</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Campuses responsible for setting aside financial aid;</td>
</tr>
<tr>
<td>Nonresident Tuition</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Prior to 2007-08, all NRT was swept by UCOP and pooled with other UC General Funds</td>
</tr>
<tr>
<td>Campus-based Fees</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Uses are restricted and vary by fee</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Some fees have set-asides for financial aid</td>
</tr>
<tr>
<td>Self-supporting Program Fees</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Fees generated by executive MBA and other non-State graduate professional programs</td>
</tr>
<tr>
<td>Summer Fees (non-UC)</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Fees generated by enrollment of non-UC students during summer</td>
</tr>
<tr>
<td>Application Fees</td>
<td>Redistributed</td>
<td>67%</td>
<td>• Portion set aside for admissions processing activities; remainder pooled with other General Funds</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>Taxed</td>
<td>~6%</td>
<td>• Garamendi debt service taken off the top</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 19.9% designated for contract and grant administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 45% of remainder set aside for Opportunity Funds to support Regental priorities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 55% of remainder as UC General Funds growth since 2000 returned to source campuses; pre-2000 revenue level “lost” in the base budget; tax share pooled with other General Funds</td>
</tr>
<tr>
<td>Fund Sources</td>
<td>Distribution</td>
<td>Assessment</td>
<td>Key Points</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------</td>
<td>------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>State</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>− CIRM</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Exception to original policy in order to avoid conflict of interest and to track actual costs of CIRM projects</td>
</tr>
<tr>
<td>− Other</td>
<td>Redistributed</td>
<td>100%</td>
<td>• Pooled with other General Funds and allocated per Regental priorities</td>
</tr>
<tr>
<td>Federal Flow-Thru</td>
<td>Redistributed</td>
<td>100%</td>
<td>• Allocated to funds per federal ICR policy, but not allocated to source campuses</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>− Clinical Trials</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Due to high costs and risks associated with clinical trials, campuses were authorized to retain revenue</td>
</tr>
<tr>
<td>− Other</td>
<td>Mixed</td>
<td>~24%</td>
<td>• Net tax rates vary by campus; ~24% supports designated campus allocations, systemwide programs, and UCOP</td>
</tr>
<tr>
<td>Endowment Earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campus Foundations</td>
<td>Retained by Source</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Systemwide Endowments</td>
<td>Redistributed</td>
<td>n/a</td>
<td>• Allocated per Presidential priorities</td>
</tr>
<tr>
<td>Other Sources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teaching Hospitals</td>
<td>Taxed</td>
<td>0.26%</td>
<td>• Applied to UCOP Common Fund</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>Taxed</td>
<td>0.20%</td>
<td>• Applied to UCOP Common Fund</td>
</tr>
<tr>
<td>University Extension</td>
<td>Retained by Source</td>
<td>0%</td>
<td>• Continuing Education of the Bar contribution to UCOP Common Fund was eliminated in 2008-09</td>
</tr>
<tr>
<td>Medical Compensation Plans</td>
<td>Fixed Contribution</td>
<td>$108K</td>
<td>• Applied to UCOP Common Fund</td>
</tr>
<tr>
<td>Patent Revenue</td>
<td>Redistributed</td>
<td>25%</td>
<td>• 25% of net UC funding allocated to General Fund</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Remainder allocated to campuses and inventor research departments</td>
</tr>
<tr>
<td>STIP Earnings</td>
<td>Redistributed</td>
<td>100%</td>
<td>• Earnings on General Funds, Opportunity Funds, Off-the-Top Funds, Educational Funds, and other UCOP-hold funds</td>
</tr>
<tr>
<td></td>
<td>Retained by Source</td>
<td>0%</td>
<td>• All other funds</td>
</tr>
<tr>
<td>Lab Management &amp; Overhead</td>
<td>Managed by UCOP</td>
<td>n/a</td>
<td>• Supports research activity through a UCOP-managed, peer-reviewed award process</td>
</tr>
</tbody>
</table>
IV. PROPOSED CHANGES

1. Overarching Principle
In order to simplify University financial activity, improve transparency, and incentivize campuses to maximize revenue, beginning in 2011-12, all campus-generated funds will be retained by or returned to the source campus. The following current policies and practices that redistribute funds to UCOP and/or other campuses will be eliminated or changed as follows:

- Each location will retain all Educational Fee funds generated from its own students.
- Each location will retain all indirect cost recovery funds generated from its own contract and grant activity.
- All patent revenues, net of payments to joint holders and inventors, will be allocated to source locations.
- All Short-Term Investment Pool earnings, regardless of fund source, will be transferred to source locations.
- Each campus will retain its own graduate application fee revenue. Undergraduate application fee revenue will be distributed proportionately to the number of applications received by each campus.
- Existing assessments on medical center expenditures, auxiliary enterprise expenditures, and medical compensation plans that support UCOP administration through the UCOP Common Fund will be eliminated.

As described earlier, the various State and UC General Fund components and the non-financial aid portion of Educational Fee revenues are pooled and allocated to campuses simply as “General Funds.” In order to accomplish the changes described above, it will be necessary to “un-pool” these components. At the beginning of 2011-12, each campus will be assigned a revenue budget for Educational Fees and the individual General Fund components of federal and state indirect cost recovery, application fees, patent revenue, and STIP earnings, as well as an amount for State General Funds. These assigned budget amounts will be based on revenue projections for each campus. This “un-pooling” or “re-labeling” of revenue sources will be largely revenue-neutral to individual campuses upon implementation. In other words, while the individual components of the General Funds budget will be identified, the total amount of the General Funds budget will not change (notwithstanding new funds generated in 2011-12 over 2010-11 base budgets).

Two exceptions to the revenue-neutral adjustments will occur. For STIP earnings, campuses will be assigned revenue targets based on the distribution of existing General Funds budgets. Campus efforts to manage cash balances vary and recent earnings profiles are not a fair method for estimating future earnings capabilities. This change has been made effective with the first quarter of 2010-11, and campuses will retain all future STIP earnings from campus-held funds.

Patent revenue is another volatile revenue source, and again, recent earnings patterns are not an entirely fair method for estimating future earnings capabilities. In order to un-pool the General Fund share of patent revenue, campuses will be assigned permanent adjustments, half of which will be based on recent patent earnings and half of which will be calculated based on General Funds budgets.

While these adjustments are intended to be revenue-neutral upon implementation, campuses will experience budget increases if revenues rise. Likewise, campuses will be responsible for addressing budget shortfalls if revenues decline.

For several non-General Fund sources (i.e., Off-the-Top Fund, Opportunity Fund, and Educational Fund) campuses will experience budget increases resulting from the return of base funding amounts.
2. **Assessment for Central Operations**
With the elimination of various redirections, a new funding source for UCOP administration and other centrally managed or funded activities must be identified. To do so, UCOP proposes to establish a broad-based assessment on campus funds that will provide funding for central operations.

Central operations are defined as:
- UCOP Administration
- UCOP-managed Academic Programs
- Systemwide Initiatives and Ongoing Commitments
- Multi-campus Research Programs and Institutes
- Division of Agriculture and Natural Resources

The assessment will be large enough to cover the funding for central operations currently provided by General Funds, Opportunity Funds, Off-the-Top Funds, Educational Funds, and the Common Fund taxes on medical center, health sciences compensation plan, and auxiliary enterprise expenditures.³ The assessment will not replace funding for central operations and programs derived from State Specific Funds, State Special Funds, contracts and grants, and systemwide endowments.

In addition, at present, the assessment will not replace a number of existing assessments and recharges, such as the Benefits Administration Fund, the Asset Management Fund, or user recharges for programs managed by UCOP Information Resources and Communications. Separate recharges and assessments will be maintained for UCOP-provided services where a direct link between costs and cost drivers can be identified and where campuses have the ability to meter their usage and therefore control costs. Recharges and assessments are also a means of releasing otherwise restricted funds. For the time being, it is the view of the Office of the President that these benefits associated with the maintenance of certain separate recharges and assessments outweigh the transparency and simplicity that could result from their incorporation in the systemwide assessment.

All campus operating expenditures will be included in the base for calculation of the campus distribution of the assessment. This recommendation is based on the view that all units benefit from being part of the UC system. For example, UC medical centers are served by central operations such as management of the retirement system and employee health benefits; in addition, they benefit through reduced costs of issuing debt and reduced need for maintenance of cash on hand.

Furthermore, while restrictions on the use of certain funds exist that limit the ability to use such funds to pay central support assessments, the full magnitude of fund sources reflects campus capacity to pay. Evidence for this may be found in both the faculty furlough exchange program and requests to use private funds to supplant return-to-aid funds – in both cases, restricted funds were proposed to supplant unrestricted funds. In addition, this inclusion of all fund sources reduces the opportunity for manipulation and simplifies the calculation of the assessment.

It should be acknowledged that the use of total operating expenditures for calculating the distribution of the assessment is not without imperfections. In some cases, financial reports may show expenditures of funds that actually occur outside the UC system, for example, through sub-grants to other higher education institutions. In addition, campuses that have outsourced bookstore and other auxiliary enterprises will benefit from the exclusion of those operations from University expenditure reports. In

³ Costs of Office of General Counsel operations that are funded from the new recharge mechanism being developed will not be included in the assessment.
the future, the University will monitor these issues and attempt to determine whether there is an overall disproportionate impact on specific campuses.

In the interest of simplicity and transparency, the assessment will be calculated based on a single systemwide rate that does not vary by fund source. While acknowledging that dollar amounts assessed to individual campuses do not necessarily correspond to the level of service provided by UCOP, this proposal also reflects the concept of ability to pay, avoids preferences for some funds over others (in the absence of principles for assigning different rates), and reduces the potential for manipulation of fund accounting.

The amount of the assessment will be determined by the UCOP budget and the need for funding of systemwide initiatives. The UCOP budget would grow as campus expenditures grow, but not necessarily at the same long-term rate. The assessment level would be evaluated every two or three years to determine the appropriate rate.

The distribution of the assessment will be based on prior year operating expenditures at fiscal close (as reported in annual audited financial statements). Shifts in the assessment burden will develop over time as total expenditures grow at different rates across campuses.

In order to make the initiation of the new systemwide assessment largely cost-neutral to campuses upon implementation and provide campuses with additional flexibility, UCOP will distribute State General Funds currently supporting central operations to campuses. These funds will be distributed proportionately to campuses based on the difference between the projected 2011-12 assessment and the amount of funding gained by the campus through the return of Off-the-Top Funds, Opportunity Funds, and Educational Fee funds as well as the elimination of the three Common Fund assessments.4

State General Fund support for central operations should be roughly equal to State support for the system. As such, assessments for each campus will be divided into State General Fund and other fund portions. Otherwise, campuses will have discretion in the determination of fund sources for covering the non-State General Fund portion of the assessment. UCOP may need to provide guidelines for the allowable level of assessment that may be charged to any particular fund source; for example, UCOP may need to limit the amount of the assessment that can be paid from Registration Fee revenues to maintain consistency with Regental policy on the use of fee revenue.

4 Per the request of the San Francisco campus, the amount of State General Funds that would be allocated to the campus will instead be held by UCOP as a credit toward the annual assessment on the San Francisco campus. This accommodation will have no impact on the amount of the assessment for other campuses or on growth in the assessment assigned to the San Francisco campus.
Display 3: Current Funding Sources for Central Operations

<table>
<thead>
<tr>
<th>Central Operations</th>
<th>Funds to be Replaced by Assessment</th>
<th>Selected Unaffected Fund Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>• UCOP Administration</td>
<td>• General Funds</td>
<td>• Asset Management Fund</td>
</tr>
<tr>
<td>• UCOP-managed Academic Programs</td>
<td>• Common Fund Assessments*</td>
<td>• Benefits Administration Fund</td>
</tr>
<tr>
<td>• Systemwide Initiatives and Ongoing Commitments</td>
<td>• Educational Fees</td>
<td>• Risk Management Funds</td>
</tr>
<tr>
<td>• Multi-campus Research Programs and Institutes</td>
<td>• Opportunity Funds</td>
<td>• IR&amp;C Recharges</td>
</tr>
<tr>
<td>• Division of Agriculture and Natural Resources</td>
<td>• Off-the-Top Funds</td>
<td>• EAP Fee Revenue</td>
</tr>
<tr>
<td></td>
<td>• Educational Funds</td>
<td>• State Special Funds</td>
</tr>
</tbody>
</table>

*Includes Common Fund contributions from medical centers, medical compensation plans, auxiliary enterprises, Educational Fees, Off-the-Top Funds, Opportunity Funds and Educational Funds. Other contributions to the Common Fund, such as from the Asset Management Fund, will continue.

3. Undergraduate Financial Aid

As an exception to the overarching principle that source campuses will retain all funds generated by the campus, redistribution of some funds will continue as a means to support the systemwide goals of the Education Financing Model for undergraduate student financial aid. As mentioned earlier, a key feature of the EFM is the goal to use fee funds to equalize the expected student contribution level from employment and/or loans across the system, such that each individual student would face the same net costs regardless of which campus the student chooses to attend.

The systemwide goal of the EFM is viewed with near-consensus as a valuable and laudable approach to student financial aid. Therefore, it is proposed that the University maintain both the EFM goal and the practice of redistributing funds among campuses to support the goal. However, changes in implementation are proposed.

- First, since campuses will retain Educational Fee and Student Services Fee revenues, campuses will be directed to allocate a specified share of fee revenues to USAP.
- Second, a portion of undergraduate USAP currently funded from State General Funds ($41 million) will be withdrawn from campus budgets and held centrally on a permanent basis. Each year, UCOP will allocate these funds to help address the EFM goal. Campuses with a higher percentage of low-income students, for example, would receive a greater share of this funding.
- Third, to the extent necessary, additional campus reductions and reallocations of State General Funds will be distributed annually on a one-time basis to achieve the systemwide EFM goal. In this case, some campuses will be able to fund the common loan/work expectation from less than the designated percentage of their Educational Fee and Student Services Fee revenue, and the excess will be available to these campuses for operating expenses normally supported by General Funds. These campuses would be assigned one-time reductions in State General Funds. This funding would in turn be provided to campuses with a need for more than the designated percentage of Educational Fee and Student Services Fee revenue, as an offset to this need.
4. **Graduate Financial Aid**

Because the distribution of graduate USAP funds has been based on the systemwide goal of offsetting campus cost increases rather than addressing student need, it is proposed that cross-subsidization of financial aid at the graduate level be eliminated. Instead, each campus will retain the total amount of tuition and fee revenue generated by its graduate students and each year, campuses will be directed to allocate a specific share of fee revenues to graduate student support and fee remissions. Separate shares will be calculated for graduate academic and graduate professional students, but these shares will be equal across campuses. Campuses will experience changes in the amounts of designated financial aid funding but will have the flexibility to use additional funds, if desired, from the total tuition and fee revenue retained by the campus.

5. **General Fund Cost Increases and Future State Funding Augmentations and Reductions**

As described earlier, for many years it has been the University’s policy to pool State General Funds, UC General Funds, and Educational Fee increase revenues available to support cost increases for salaries, benefits, and non-salary items and to allocate funds to campuses on the basis of General Funds budgets. During many years, the University has been assigned undesignated cuts in State funding, and student fees have been increased to help the University address these cuts as well as unavoidable cost increases, with both cuts and new fee revenue distributed on the same General Funds budget basis. Due to variation in the size of General Funds budgets relative to student populations, some Educational Fee revenue is transferred among campuses. Under the new model, because campuses will retain Educational Fee revenues, this transfer will no longer occur and campuses with high budgets relative to the number of students will need to identify other solutions to inadequate State support. The problem is particularly acute for the San Francisco campus, which has no undergraduate population and therefore generates a relatively low amount of fee revenue relative to its total budget.

Any future undesignated State funding augmentations will be allocated on the basis of State General Funds and Educational Fee (net of financial aid). Nonresident Tuition, professional degree fees, federal indirect cost recovery, and other UC General Funds will be excluded from the distribution, based on the view that campuses should generate cost increase revenues from these fund sources and should not be rewarded with additional State funding as a result of increasing these non-State revenue sources.

Any future undesignated reductions in State funding will be allocated on the basis of State General Funds, Educational Fee revenues, Nonresident Tuition, and professional degree fees (net of financial aid). Increases in Nonresident Tuition and professional degree fee revenue are included in order to more appropriately recognize campus capacity to cope with State funding reductions.

Following the approval of the changes proposed in this document, another project will be conducted to measure the level of resources available to each campus on a per student basis. Once appropriate measurements for comparison are identified, plans may be developed to ameliorate differences across campuses. In that event, the policies related to State funding augmentations and reductions proposed here may be altered.
### Display 4: Funds Included for State Funding Augmentations and Cuts

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Current Method: Cuts and Augmentations</th>
<th>New Method: Augmentations</th>
<th>New Method: Cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Funds</td>
<td>Yes (as 19900 base)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Educational Fee Revenue (net of aid)</td>
<td>Yes (as 19900 base)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Registration Fee Revenue</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Professional School Fee Revenue</td>
<td>No</td>
<td>No</td>
<td>Yes*</td>
</tr>
<tr>
<td>Nonresident Tuition</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Application Fee Revenue</td>
<td>Yes (as 19900 base)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>STIP Earnings</td>
<td>Yes (as 19900 base)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Patent Revenue</td>
<td>Yes (as 19900 base)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Pre-2000 Federal ICR Base</td>
<td>Yes (as 19900 base)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Post-2000 Federal ICR (19933)</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>State ICR</td>
<td>Yes (as 19900 base)</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

* Assumes Regents will approve professional degree fee increases and that campuses will have authority to increase enrollment of nonresident students and professional degree students to help address budget shortfalls.

### Display 5: Estimated Distributions of Undesignated State Funds by Campus Based on 2009-10 Budgets

<table>
<thead>
<tr>
<th>Campus</th>
<th>Current Method: Cuts and Augmentations</th>
<th>New Method: Augmentations</th>
<th>New Method: Cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley</td>
<td>14.9%</td>
<td>15.2%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Davis</td>
<td>14.6%</td>
<td>15.0%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Irvine</td>
<td>10.5%</td>
<td>10.7%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>18.8%</td>
<td>18.4%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Merced</td>
<td>1.5%</td>
<td>1.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Riverside</td>
<td>7.4%</td>
<td>7.8%</td>
<td>7.3%</td>
</tr>
<tr>
<td>San Diego</td>
<td>12.3%</td>
<td>11.8%</td>
<td>11.7%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>6.4%</td>
<td>5.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>7.6%</td>
<td>7.8%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Santa Cruz</td>
<td>6.2%</td>
<td>6.5%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>