2011-12 Report by the Senate Committee on Planning and Budget

The campus is facing unprecedented budget reductions, an uncertain budget future and stricter compliance requirements, which have together caused extraordinary strains. It will take much discussion and thoughtful planning to minimize the impact of the reduced budget on our mission of teaching, research and community service. This year the Committee on Planning and Budget (CPB) met with all academic and major non-academic units except those that had a change in leadership during the academic year. In the latter category, were the new Deans from the College of Natural and Agricultural Sciences (CNAS), School of Business, and the Vice Chancellor for Research. Dean Baldwin of CNAS met with the committee to discuss the Agricultural Experimental Station and the Cooperative Extension. Dean Mitchell of the Graduate School of Education met with CPB to pass on his knowledge of the campus budget acquired as head of a special senate budget task force in 2010-11. The reports of the discussion with each unit are attached.

The attached recommendation summary of the committee is based on common themes that emerged from the above discussions. The summary of recommendations has been submitted to the Chancellor. Individual reports of each unit with additional recommendations are included.
Acknowledgements

The Committee on Planning and Budget (CPB) would like to thank Chancellor White, EVC Rabenstein, VC Bolar, Dean’s Abbaschian, Baldwin, Childers, Cullenberg, Mitchell, Olds and VP Brint for meeting and sharing budget information with the committee. Many others are also thanked in the individual reports. In particular, CPB would like to thank AVC Matthew Hull for his extraordinary willingness to explain, discuss and share campus budget information.
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Budget Overview & Primer

Budget & Comparison: The basic parameters of the campus budget comparing Fall 2008 (pre-recession) to Fall 2011 are given in the table below. For the 11-12 AY the state cut an additional $650M from UCs base. Midyear another $100M was cut. The 11-12 AY UC budget is below 1998, when UC had 75,000 fewer students. For the first time in UC history, system wide, student tuition will be more than state general funding this year.

<table>
<thead>
<tr>
<th></th>
<th>Fall 2008</th>
<th>Fall 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Funds</td>
<td>$220M</td>
<td>$154M</td>
</tr>
<tr>
<td>UC General Funds</td>
<td>$14M</td>
<td>$20M</td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>$57M</td>
<td>$117M</td>
</tr>
<tr>
<td><strong>Total State Funds &amp; Tuition</strong></td>
<td><strong>$291M</strong></td>
<td><strong>$291M</strong></td>
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<tr>
<td>UG Enrollment</td>
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<tr>
<td>Grad Enrollment</td>
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<td>2433</td>
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<td>Ladder Rank Faculty (Payroll)*</td>
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<td>559.4</td>
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<tr>
<td>Total Instruction &amp; Research Faculty FTE</td>
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<td>Filled Instruction &amp; Research Faculty FTE</td>
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<tr>
<td>Total Organized Research Faculty FTE</td>
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<tr>
<td>Filled Organized Research FTE</td>
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<td>75</td>
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<tr>
<td>Staff FTE</td>
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<td>2448**</td>
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<tr>
<td>Contracts &amp; Grants</td>
<td>$104.2M</td>
<td>$115.5M</td>
</tr>
</tbody>
</table>

*Payroll is used as it does not include faculty serving administrative functions. FTE stands for Full Time Equivalent and is a count of full time positions allocated. **Possibly underestimated by 100. Source: Chancellor’s Town Hall Meeting.

Budget Fund Sources: State General Funds and Tuition and fees are self explanatory. UC General funds have primarily two sources: (i) The fraction (about 35%) of the indirect cost recovery (ICR) on extramural grants, and (ii) Non resident tuition. More information on ICR fractional allocation is provided below.

Budget Cuts: In the 2011-12 AY, the UC system got an effective budget cut of $650M, of which the UCR fraction was $47.5M. In addition, UCOP paid for another $100M in cuts during the year, of which $90M has been reimbursed in the last budget, leaving $10M to be accommodated at the campuses in the following year. In 2012-13, the campus will also have to cover a 3% salary increase ($3.3M) to all faculty and non-represented staff, faculty merits, mandatory union salary increases, an additional 5.7% employer contribution to the UC Retirement Program ($10.1M), and absorb the increased tuition for TAs, increased employee benefit costs, and increased costs of utilities. These add up to a total cost of nearly $20M. If the Governor’s tax initiative does not pass in the November ballot the UC system is projected to get an additional $250M cut. This might be slightly alleviated if the Regents allow a tuition increase in compensation, the exact size of which will not
determined until after the ballot results are clear. The governor’s budget also has a “tuition buyout” proposal which is harmful to UC. In this buyout proposal the state will provide $125M in 2013-14, if UC does not raise tuition in 2012-13. If UC agrees to this, it will be impossible to meet our budget goals in the 2012-13 and the 2013-14 AY as from projections both years need at least a 6% tuition increase and as well as a 6-8% increase in state funds.

**Allocation of State General Funds from UC-Office of President (UCOP):** The division of state general funds from UCOP has evolved over the decades into a cumbersome and presently opaque model. Below is a summary of our best understanding of how it worked. The formula had to be adjusted every year primarily only for increases in enrollment i.e. increased enrollment funded from the increase in state revenue only. Previously enrolled students were funded at their old funding levels e.g. enrollment targets of 1970 were funded at inflation adjusted 1970 numbers. These adjustments from increased enrollment thus depended on the vagaries of the state funding. In addition, well meaning ad hoc factors based on campus special needs were periodically input into the formula. As state funding has decreased, the student to faculty, staff to student and TA to student ratios have been adjusted to further complicate the formula. All together, these factors have made the formula unwieldy. A state audit of the UC Budget 2005-10 completed in July 2011 noted gross inequities between campuses (they noted by their calculation that a UCLA student received $19K whereas one at UCSB received only $12K) and recommended that UCOP equalize funding on a per student basis between the campuses. In the interest of transparency and equalizing state funding, UCOP has adopted two major modifications to its campus funding. One that has been implemented in 2011-12 is called “Funding Streams” and the next to be implemented in 2012-13 is called “Rebenching”. They are both explained below.

**Funding Streams & UCR:** Starting in 2011-12, all campuses are funded directly through a model called “Funding Streams.” It is based on the principle that individual campuses would retain all the revenues they generate and UCOP would be funded by a tax on all campus expenditures. In this model UCOP directly transmits all state funds to the campuses based on past fractional allocations. UCR’s fraction amounts to 7.3% of the total state funds. UCOP’s operations are funded by a 1.53% tax levied on all campus revenues. While in theory this should be cost neutral to the campuses (UCOP gives all the monies to the campuses and then takes back its operating expenses as a tax), in reality it is a cut, as the 1.53% tax will end up costing the campuses an additional $55M compared to last year. Note that the UC health science units (hospitals) are the largest source of revenue UC wide. Of much importance to UCR is that the Cooperative Extension of the Agricultural and Natural Resources is funded through the funding streams tax. Some campuses are not happy with what they perceive is a subsidizing of the agricultural mission of the system by the hospitals. It is also important to emphasize that UCOP has undertaken cuts and continues to do so during the recession, for e.g. $14M cut each is projected for the 12-13 and 13-14 AYS.

**Rebenching & UCR:** This is the second stage of budget reform to be implemented in 2012-13. As discussed above, its goal is to remove historical funding inequities (UCLA with highest and UCSB with lowest) and equalize per student funding across all 10 campuses. In 2012-13.
this model, PhD students will be weighted by 2.5 times an undergraduate and the graduate student population will be capped at 12% of UG enrollment for the higher weighting. Health Science students will be weighted by factor of 5. Only CA residents among the UG are counted. All graduate students regardless of residency are counted. Under rebench, the funding per undergraduate student would be $6413. UCSF and UCM are not included in the model due to their unique circumstance of being only a medical school in the former and a new campus in the latter. Two factors are of particular interest to UCR: (i) UCR is not a big winner in this funding model—it presently gets $6312 per UG and will go to $6413 per UG in this weighted scheme. The best gainer is UCSB, which now gets only $4987 per UG in the weighted scheme. On the other end of the spectrum are UCLA ($9867 per UG) and UCD ($8414). (ii) The Agricultural Experimental Station funding will be taken off the top, i.e. it will be appropriated and sent to the campuses and only the remainder of state funding divided on a per student basis. The redistribution and timescale for rebench are contingent on new state funds to UC. An open issue left to be negotiated is the enrollment target which will in turn determine the campus funding.

**Over-enrolled Students & UCR:** These are students who are not counted in the per student state funding as they exceed the enrollment target assigned by UCOP. All campuses have overenrolled students with estimates (strangely real numbers depend on criteria applied!) ranging from 15K to 35K in the 10 campuses. The smaller campuses (UCR, UCSC) in particular find the tuition revenue from the overenrolled students critical to balancing the budget cuts. This will become more important as tuition fees exceed state funding per student in coming years. In the case of UCR, the 2700 over enrolled students contributed $13M net of financial aid. In comparison, UCSC had 1455, UCD 2140 and UCB 1530 over-enrolled students respectively.

**Faculty Salary Allocation, Filled and Unfilled Full Time Equivalent’s (FTE):** The faculty salaries on campus are dealt with in a complicated manner. In old state funding allocation models prior to Funding Streams, faculty FTE were allocated on a 18.7 students to one faculty FTE ratio. The ratio changed over the years with the latest one set in 1999 and has little relevance to the present funding models in the new constrained budget era. These FTEs were assigned at the Asst. Professor III salary of $53.8K. For hires above Assistant Professor III, 2/3 of salaries are covered by the Dean’s and 1/3 by the Chancellor. Note that the Deans keep 2/3rds of the difference in downgrades from Asst. III resulting from retirements, separations etc to use as a source to fund the upgrades. All merits and promotions are covered by the Chancellor. The academic units have been allocated 732 Instruction & Research (IR) faculty FTEs and 117 Organized Research (OR) faculty FTEs. OR positions are for those involved in agricultural research (please see corresponding report). Of the IR faculty FTE, 596 are filled (note that some are used for administration but counted as faculty allocation and can be distinguished only through payroll data as in table above). The Deans hold unfilled faculty positions (at Asst. III of $53.8K each), which can only be used for instructional support (TAs, lecturers) and faculty recruitment costs.

**Extramural Grant Indirect Cost Recovery (ICR) Allocation on Campus:** UCR received a total of $17.3M in ICR last year. Of this, $13.8M was from Federal and $3.5M from Private/Local government extramural support. In the broadest terms 37% of the ICR is sent to Dean’s of the colleges and 63% is used to fund the rest of the campus. In reality, the
ICR is sliced and diced many ways based on rules prior to implementation of funding streams. 35% of the total (44% of Federal) goes to UC general fund for campus use (please see table above), 10.65% of the total (19.9% of the Federal) is given to support the Office of Research, 6.6% of total is the UCOP assessment, 5.3% is retained by Chancellor and 4% is used for insurance and communication fees. The Dean’s of the colleges use the ICR for initial complements of new faculty. Parenthetically we note that even though the nominal ICR rate is 52.3%, the real rate for the campus is 26% and varies slightly between the colleges.

**Conclusion of Overview & Primer:** UC, like all state funded institutions, finds itself in a very challenging budget environment. On a positive note, the 12-13 CA state budget restores $90M of the $100M midyear 11-12 AY cuts to UC. Other cuts of $650M remain in place. We also view the state “tuition buyout” in the 13-14 AY as a positive development, but because the increase in state funds requires that tuition not be raised in AY12-13, we will still face a significant budget shortfall in the coming year. In addition, the committee is concerned about the consequences to UC should the Governor’s November ballot initiative fail, as the budget depends on the success of this initiative. In our review, we found that much care and consideration is being given, both at UCOP and on our campus, to preserving the academic mission under the present difficult budget circumstances. The committee comes away with the conclusion that the UC budget allocation to the campuses is very much a work in progress, with past methods of allocation being very opaque and unequal. The UCR campus budgeting process also lacks the transparency that other sister campuses such as UCSC have achieved (please see accompanying report and summary of recommendations). We are very hopeful that the Chancellor and the EVC are committed to achieving the necessary transparency. Many other recommendations are also part of the accompanying summary of recommendations and the reports on the individual units.
Committee on Planning and Budget (2011-12)

Umar Mohideen, Physics (Chair)
Bir Bhanu, Electrical Engineering
Jan Blacher, GSOE
Michelle Bloom, Comparative Literature
Subir Ghosh, Statistics
Barry Mishra, SoBA
David Pion Berlin, Political Science
Roger Ransom, History
Patricia Springer, Botany and Plant Sciences