

April 10, 2009

TO: Chancellor Timothy White

FM: Academic Senate Committee on Planning and Budget (Michael Adams, Peter Chung, Jay Farrell, Mary Gauvain (Chair), Paul Hoffman, Carol Lovatt, Rene Lysloff, Umar Mohideen)

**RE: P&B RECOMMENDATIONS TO THE CHANCELLOR ON THE BUDGET CRISIS**

Beginning with the 2008-09 academic year, UCR will experience several years of dramatic budget cuts that will affect the character of the university. The UCR Academic Senate Committee on Planning and Budget (P&B) recognizes the dire nature of the current budget situation and, since our committee convened in September, we have kept abreast of the situation. We appreciate your efforts in addressing the budget crisis and we hope that the collaboration that currently exists between the administration and the academic senate will continue throughout this long and difficult process.

This report summarizes a set of working principles and planning ideas that P&B considers critical to maintaining the quality of the academic enterprise during this time and to enhancing our competitive position when better budgetary times return. Our recommendations were formulated through a series of meetings between P&B and leaders of all the academic units and most of the administrative units on the campus, as summarized in Appendix A. Throughout this process we have consulted closely with the VC for Academic Planning and Budget, Gretchen Bolar, who has been supportive of our work and responsive to our inquiries. It is our hope that the channels of communication and transparency that have recently begun on the campus will continue and will strengthen the climate of mutual trust between the faculty and administration that is building on the campus.

The report begins with our overarching philosophy and a set of general principles and includes recommendations derived from this view. We conclude with some specific points regarding particular units that emerged over the course of our meetings. Our aim is to describe our observations as well as to identify courses of action to help achieve our mission of creating and transmitting knowledge at the highest level and translating that knowledge for the public good.

## **OVERARCHING PHILOSOPHY, GENERAL PLANNING AND BUDGET PRINCIPLES, AND RECOMMENDATIONS**

Our overarching philosophy is that the teaching and research mission of UCR and the infrastructure critical to this mission, including essential student and faculty services, should have first priority in all budgetary decisions. To this end we have identified several general working principles for the budget process.

**I. The academic mission of the campus must be protected.** UCR has six colleges and schools and 15 administrative units cooperating to achieve our academic mission. Enhancing the efficiency of these cooperative efforts will be essential to maintaining and improving the quality of UCR in this difficult financial environment as well as meeting our shared goal to be an AAU recognized institution. To protect the academic mission during the budget crisis, P&B makes six recommendations.

### **Recommendations**

- 1. Strategic cuts.* Budget cuts should NOT be made uniformly across the academic and administrative units. The academic units are already operating at a high level of strain (with the most stress at the departmental level). Although minimal budget cuts in each of the academic units seem possible, significantly large cuts across all academic units may threaten the academic mission of the campus. The non-academic administrative units appear better able to absorb a higher level of cuts and it is our hope that the work of the P&B-BAC Subcommittee on Administrative Growth will be instrumental in this decision making process.
- 2. Faculty furloughs or salary cuts.* Furloughs or cuts to faculty salaries should only be considered as a very last resort in resolving the budget crisis. The UC faculty has already experienced cuts in recent years. First, UC faculty salaries have not kept pace with faculty salaries at comparative institutions. Second, plans established several years ago to correct this disparity have been curtailed. Third, the recent failure of the California State Legislature to support UCRP further erodes the financial situation of the faculty. These circumstances have lowered the morale of the faculty and they threaten our ability to hire new faculty and retain current faculty. In a short time, this pattern will likely undermine the academic vitality and core mission of the campus. In addition, faculty who receive outside offers are likely to be among our strongest, and for this reason it is important to make competitive retention packages.
- 3. Departmental staff and budgets.* While strategic cuts could be identified at the college level, the academic departments within the schools and colleges are running on a bare minimum; budget savings should not be achieved by a blanket furlough or cut to department staff or the very minimal department S&E budgets.
- 4. Revenue generating programs in the academic units.* We applaud creative efforts by the academic units, especially the professional schools, to develop revenue-generating programs. However, when revenues from such programs materialize it

is important that they be distributed through a transparent process that is in the best interest of the campus at large with the proviso that the generating unit be adequately rewarded. Also, the focus on revenue generating programs must not overtake the academic mission of the campus, and any such program must be delivered at the high academic level expected of a UC campus.

5. *Laboratory fees.* This method of revenue generation needs to be addressed with caution. As cumulative student fees grow, they serve as a disincentive to students with fewer financial resources. As an alternative to establishing new fee structures, the campus needs to pursue aggressively grant support from federal and private agencies awarding funds for curriculum development and mentoring, especially in the STEM fields. The diversity of UCR's student body, the caliber of its faculty and programs, and UCR's service to the economically depressed Inland Empire make UCR ideally poised to obtain a much greater share of these funds than it has. Recognition, incentives, or rewards for faculty and staff working on such grant proposals should be established.
6. *Transferring costs to faculty.* In previous budget crises, campus budget shortages have been partially recouped through taxes on faculty and their students and employees in the form of increased recharge fees to faculty research grants for functions that are essential to the teaching and research mission. Additional charges to the faculty at this time should be well justified, thoroughly reviewed by a committee of affected faculty, and grandfathered in, not applied retroactively.

**II. Shared governance must be preserved and strengthened.** Shared governance is the lifeblood of all UC campuses. We appreciate the renewed efforts for shared governance that have been made at UCR since your arrival and we have two recommendations regarding this process.

### **Recommendations**

1. *Strategic planning.* For many years the campus budget has relied on money management rather than being guided by an overarching and visionary strategic plan for the campus. We are enthusiastic about your efforts to develop such a plan, which will be vital in getting us through the current crisis and onto a productive course of future action. It is critical that the Academic Senate be involved in all phases of the campus strategic planning process.
2. *Information sharing and transparency.* At the root of shared governance is shared information. Improving and maintaining the transparency of budgetary information and accounting processes are essential.

**III. The Administration's role must be in support of the academic mission of the campus.** Cooperation and efficiency in collaborative efforts between the academic and administrative units are imperative. Members of the faculty were heartened by President Yudof's comments during his recent visit to UCR (March 16-17, 2009) that administrations are a tax on the teaching and research mission of the university.

Administrative expenditures should provide clear and transparent added value to the mission of the campus. To this end, P&B makes the following nine recommendations.

### **Recommendations**

1. *Redefine the relationship between academic and administrative units.* The activities of all units on the campus should be aimed at meeting the core academic mission of UCR. To achieve this goal, close and supportive working relations between the academic and non-academic units are essential. However, a recurring theme of the P&B interviews was that this relationship has shifted away from one of support and collaboration from the administrative units to one that is more controlling and adversarial. There are several specific points related to this issue.

- a. *Support vs. control.* Each administrative unit has both service and compliance responsibilities. P&B understands the need for oversight by these units, but their primary function should be to support and facilitate the core academic mission of the campus. However, faculty and academic personnel report that regulatory efforts far exceed those devoted to support and facilitation, and conversations with faculty at our sister campuses indicate that they have a significantly lower workload related to compliance. An important example is fiscal accountability as necessary for compliance with the Sarbanes-Oxley Act of 2002. UCR appears to be taking a very proactive role in this regard, as well as shifting a significant portion of the compliance workload to the faculty. Careful evaluation of necessary levels of compliance may result in freeing up resources that could be more productively used for the research and teaching missions.
- b. *Risk management.* A well thought out “risk management plan” should be part of the compliance enforcement. The plan must take into consideration the explicit staff costs and the implicit cost through faculty time. The objective is to balance the risk of penalties against the full cost of compliance; otherwise, the compliance workload will place excessive financial and regulatory burdens on faculty, researchers, and students.
- c. *Optimal number of checks and reviews needed.* A related concern is that the number of people or administrative layers that check and recheck the same items is excessive. Specifically this issue was raised with respect to the generation of research proposals, purchasing and travel reimbursement, and academic personnel hiring and advancement. The academic enterprise would be enhanced, for example, by more support related to the generation of research proposals and relevant proposal leads with less re-checking of the generated proposals. Purchasing and travel reimbursements are very thorough, but at considerable expense in terms of the number of required staff and the amount of faculty time invested in documentation and writing of memos of justification. P&B understands the need for the control function in this area; however, there is a threshold below which this control function is a losing proposition. Along these lines, we encourage careful examination of the various personnel, both higher level and support staff, in

the VP-Administration office. Several functions in this office seem to duplicate efforts that are already done at the schools and colleges.

- d. *Streamlining the academic review process.* The academic review process is clearly mission critical; however, this process, especially merit review of faculty, may entail a more thorough review than is needed and more than that which is used on our sister campuses. We encourage consultation with CAP in investigating ways of streamlining this process.
2. *High quality, managerial leadership starting from the top down is required.* Leaders of the administrative units must promote the idea that each administrative unit's purpose is to provide service and to advocate for the academic mission while ensuring appropriate control functions. Additionally, leaders of administrative units must promote operational efficiency to eliminate the perception of "empire building." There are several specific points related to this issue. New top-level administrators have been added and these administrators have built staff support structures. Is there a return-on-investment? Has service risen sufficiently to justify the added cost? In addition, various reorganizations (moving of functionality between administrative units) have occurred. Has there been a comparison of the cost or the functionality between the pre- and post- reorganized structures?<sup>1, 2</sup> For these and other such issues, there is a need for comparative analysis with AAU or other top 25 public research universities.
  3. *Administration cuts.* Given the inability of the Academic units to sustain the level of cuts mandated for UCR, greater cuts must come from administrative units. It is our hope that UCR's new campus leaders, in addressing the issues cited above, will define a strategic budgetary plan able to meet the new fiscal reality while optimizing the administrative structure of the campus.
  4. *Financial accountability of all campus units.* As a central part of the strategic planning effort, the costs and benefits of all the units on the campus should be regularly examined. This evaluation process, as well as the fiscal resource allocation process, must be transparent. The evaluation should be mindful of several issues that are part of current budgeting practices on the campus that need review or revision.
    - a. *Access to information.* The database and other technical problems pertaining to accounting and budget need to be fixed so that departments and faculty can have direct and interpretable access to their accounts.

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<sup>1</sup> An example is the creation of the VP-Undergraduate Education. In 2007 and 2008, its budget was approximately \$2.5M and \$7.5M, respectively. Many of the functions of this unit were previously done in other units and transferred to the VP-UE. Therefore, some other administrative units' budgets should have decreased by several million dollars; however, such decreases are not discernable in the currently available budget data.

<sup>2</sup> Student housing and dining was moved to Administration from Student Affairs, which approach was more cost efficient and which approach better served the overall academic mission?

- b. *Revenue generating activities.* Revenue-generating administrative enterprises should be critically reviewed, including given a set of goals, optimized for efficiency and evaluated for success in meeting those goals with the unit held accountable. These units should be reviewed to make sure their funds are appropriately aligned with institutional goals. It is also critical to determine and evaluate on a regular basis whether the functions these units provide would be more cost efficient for the campus if they were handled internally or externally to the campus. Relatedly, our faculty colleagues devote considerable energies toward securing research grants and contracts, which bring indirect cost revenues to campus. Unfortunately, this campus has a history of allocating these resources in ways that are not obvious to the faculty. We suggest that this policy change, with allocation of indirect cost revenues done openly and in a way that provides incentives to faculty who engage in these activities.
- c. *Redundancy and duplication of effort.* Redundancies of campus functions, whenever identified, should be eliminated.
5. *Financial Management.* Each unit is allocated a certain budget to achieve its portion of the academic mission. Each unit then carries a certain number of vacant faculty or staff lines. The funds from the vacant lines are used either to fund other underfunded portions of the academic mission or are carried forward to a future year. This practice of financial management needs to be examined carefully. Also, the role and management of carry forward funds should be clarified. Units should be able to, at least within the UCR strategic planning process, categorize their carry forward funds along the lines described below.
- *Hard commitments:* These are funds for which a unit has a commitment equivalent to a contract. An example is the academic unit's commitment of carry forward funds for faculty initial complements. Although the campus may not be able to classify these funds formally as encumbered, the campus should not take back hard commitments unless it also assumes the implied liability.
  - *Planned commitments:* These are funds for which the unit has plans, but no hard commitments. In a strategic planning exercise, these funds would need to be justified, relative to the contribution of the planned commitments to the academic enterprise.
  - *Uncommitted funds:* These funds and the excess budget allocations that generated them should be evaluated on an annual basis.
6. *Scrutiny of the campus administrative and management structure and activities.* The campus currently has a complex and rather burdensome review and oversight process. These procedures have led to the presence on the campus of many middle-level managers in various administrative units on the campus. We encourage a careful look at the levels of bureaucracy in the system as a whole with the aim of devising a more streamlined and efficient way to carry out the core mission of the campus. Such efforts will require examining and evaluating administrative units as well as the staff remuneration approach that currently operates on the campus.

7. *Administrative size and review.* There is the perception that some administrative and support units have grown large without a correspondingly large increase in the contribution to the campus mission. Challenges in investigating this issue include: a) understanding what metrics are available to evaluate growth relative to contribution, which includes interpreting budget input data over time when the functional objectives of these units have changed across time, and b) the HR staff remuneration formulae.

a. *Metrics of contributions to the campus mission.* There are various metrics available for and often applied to faculty productivity: number of courses taught, number of FTE students taught, number of papers published, amount of research funding applied for and awarded, number of graduate students advised, etc. Such metrics are useful, after interpretation, for comparing faculty productivity changes across time. It would be useful for various non-academic units to devise a way to evaluate their operation and staff with such metrics that make sense in their units and align staff and administrative activity clearly with the core academic mission of the campus. Two types of questions are important: How well is each unit contributing to the UCR mission and how well is each unit contributing to the UCR mission relative to their budgetary resources?

- Specific, unit-based examples of the first type of question include:
  - Is VC-UA accurately tracking alumni?
  - Is each unit awarding all UCRF scholarships each year?
  - Is VC-SA increasing the quality of the applicant pool?
  - Is the Graduate Division increasing the quality of its applicant pool?
  - Has the VC-R facilitated grant writing efforts?
- Specific, unit-based examples of the second type of question include:
  - Is VC-SA attracting more UG students to UCR per allocated dollar?
  - Is VC-UA bringing in more gifts and endowments per allocated dollar?
  - Is the Graduate Division bringing in more graduate students per allocated dollar?
  - Is the VC-R bringing more grant funding to campus per allocated dollar?

We expect that most of the results of such analysis will be positive. Making this information transparent and public would be beneficial to campus morale. Those instances of declining trends will identify areas in need of some form of reorganization.

b. *HR staff remuneration formulae.* One factor in determining the salary appropriate for support positions is managerial responsibility as measured by number of supervised personnel. This factor provides an incentive to favor overstaffing rather than understaffing and to favor creation of work to require

additional supervised staff. It appears to be a disincentive to enhancing productivity or reorganizing workload to minimize the number of required support positions. Perhaps alternative metrics for determination of staff salaries would be more effective at aligning individual reward functions with UCR's objective of efficient operation.

8. *Review of unfunded mandates.* We encourage caution and consultation with the Academic Senate in responding to unfunded mandates. These mandates come from a range of sources, including the state legislature, federal oversight agencies, and community concerns. In most cases they involve additional work and unfunded expenses to the campus. Therefore, any such mandates require careful examination when introduced and regular review if implemented. Some unfunded mandates of particular concern are mentioned above, such as compliance related activities and the shift of many types of responsibility and liability issues onto the faculty.
9. *Centralized or Decentralized Campus Functions.* In our discussions with unit heads we heard good arguments for centralizing some campus functions as well as good arguments for decentralizing other functions. This issue needs to be examined carefully. It is likely that some functions are most efficiently conducted centrally and others would benefit from decentralization. In the main, the leaders of the academic units prefer a decentralization of several services that are now implemented centrally citing increased accountability and service to the academic units. Specifically cited support services were proposal generation and compliance functions, hiring and directing of development personnel, and undergraduate recruitment and advising. However, in some cases decentralization could result in duplication of efforts and uncoordinated activities across the campus. There is an obvious conflict between the centralized and decentralized approaches. P&B does not currently have data available to contribute to this discussion. A comparison with UCR's desired peer institutions (e.g., members of AAU or top 25 ranked public research universities) might be useful.

#### **IV. Specific points pertaining to individual campus units and recommendations.**

In this section we describe issues that emerged over the course of our interviews and inquiries that pertain to specific campus functions and units.

1. *Cost-benefit analysis of the Palm Desert Campus, UNEX, and Auxiliary Services and Sale-for-Service enterprises.* UCR has several entities that might be reconsidered from a cost-benefit point-of-view. These include the Palm Desert Campus, University Extension, and some of the Auxiliary Services and Sale-for-Service enterprises. It is unclear if these units are contributing effectively to the overall mission of the campus and, if so, whether they are worth their cost to the campus. In terms of the Auxiliary Services and Sale-for-Service enterprises, we think it is important to know if these enterprises are at least breaking even and if not, whether some of these services would be better off purchased from external vendors. Finally, certain service positions, such as photographer, graphic artist, sign maker, etc. are embedded within one or more UCR organizational units. Are

these necessary as fulltime campus services or could such services be obtained more efficiently either from external vendors or from a centralized UCR service?

2. *Examination of very large administrative or support units.* Several administrative or support units are extremely large both in terms of personnel and budget, in particular the VC-SA, VC-R, VC-A, and VP-UE offices. These units need to be scrutinized to determine if they are operating in the most cost efficient manner. In this effort, it will be essential to establish benchmarks to determine if the units are meeting their goals to support the core mission of the campus. These units may be especially important to examine in relation to issues of decentralization of functions on the campus.
  - *Campus Student Affairs:* This is a very large unit. It should be audited to determine if it offers the most efficient organization to accomplish its functions. UCR's recruitment efforts and materials deserve special attention: (a) enrollment targets must be closely met to avoid the financial costs that come with both under- and over-enrollment; (b) we need to take advantage of the strong student interest in UCR and the fact that UCR is a selective campus to enroll a better prepared freshman class in 2010 and forward; (c) there is a desire on the part of some colleges to have a greater role in undergraduate student recruiting - this option should be evaluated.
  - *College Student Affairs:* Special allocations of large resources towards centralizing the advising process in the colleges need to be examined to determine if (a) the monies are appropriate for what is needed, and (b) whether this is a good plan and should be implemented fully or instead should be undone and moved back to the departments.
  - *Organized Research:* It is clear that a large portion of the activities of the Office of Research is allocated to compliance. Many proposals are routine with regard to issues of compliance. For such routine proposals, responsibility for compliance could be delegated to a trained department staff person and the Office of Research copied upon submission of the grant. Signature power on the final contract if and when the proposal is awarded would reside with the Office of Research.
  - *Advancement:* Revenue generated by this unit is vital to the campus's ability to realize its goals. It produces tangible results that can be evaluated on the basis of cost-benefit and comparison with other campuses. There is the perception that the unit is heavy on support staff and light on actual fundraisers/development officers. Advancement efforts across the campus need to be coordinated and evaluated in the context of a campus strategic plan. This is especially important during the present economic conditions and given that departments want to have more control and coordination with their units in the development process.

- *Palm Desert Campus:* The Palm Desert Campus (PDC) resulted from a very generous and well-intended gift. However, given the severity of the budget cuts, the campus cannot afford to continue supporting PDC at its current level. Still, it is P&B's opinion that UCR would be ill advised politically to sever its ties with the Palm Desert Campus. Thus, the prudent alternative is to aggressively seek ways to make the PDC profitable in the near-term or at least cost neutral as quickly as possible. First, there are significant budget cuts that can be made in the administration of PDC. Second, there are possible opportunities for revenue to be generated by the campus. For example, UNEX could offer certification courses at PDC, the School of Education could offer continuing education courses for teachers in the area, and UCR on-line MS/certification programs might offer enrollment through PDC with in-class room exams, demonstrations, periodic group discussions or seminars.
- *Undergraduate Education:* UCR needs to be more aggressive in seeking outside funding to support the undergraduate curriculum and program development. This activity should be housed in the office of the Vice Provost of Undergraduate Education with a centralized database and links to the Graduate School of Education for assistance in writing the sections on assessment of learning outcomes. Units with individuals responsible for writing programmatic or institutional grants should be audited with the goal of strengthening this activity. Faculty should be given release time from committee obligations to work with these individuals to bring greater funding to our undergraduate and graduate education mission. Finally, a continuing issue is the university writing program and efforts to make it cost effective. Ideas generated by prior committees, such as the “Ad Hoc Committee on Long-term Policy for Freshman Composition (including Subject A)” (November 10, 2004), are worth revisiting. Because this unit was formed by combining several units, the appropriateness of the current staff to meet the unit’s charges should be reviewed.

**Appendix A. Summary of Meetings**

Dean Stephen Cullenberg – February 5, 2009

Dean Joseph Childers, Graduate Division – February 12, 2009

VC A. Diaz, Administration – February 17, 2009

Dean Reza Abbaschian, BCOE – February 19, 2009

VC James Sandoval, Student Affairs – February 24, 2009

EVC& Provost Dallas Rabenstein – February 26, 2009

Dean Thomas Baldwin, CNAS – February 26, 2009

VC Dan Aldrich, Advancement – March 2, 2009

VC Charles Louis – Office of Research – March 3, 2009

Dean David Stewart – AGSM – March 5, 2009

Dean Steven Bossert – GSOE – March 9, 2009

VP David Fairris – VPUE – March 9, 2009