MINUTES
Committee on Research
December 3, 2013

Present: Judith Habicht Mauche (chair), Pranav Anand, Sharon Daniel Yat Li, Jason Nielsen, Paul Roth, Matt Wagers, Steve Whittaker, Fitnat Yildiz (via phone), Matt Robinson (Committee Analyst)

Committee Business
The draft minutes from the November 5, 2013 meeting were approved as written.

Reconsideration of 2013-14 NFRG Applications
COR adjudicated the resubmitted New Faculty Research Grant (NFRG) applications.

Consultation with Director of Costing and Data Management Troy Lawson
COR consulted with Director Lawson regarding the impending move towards composite benefit rates (CBRs) for charging faculty grants. Currently, the university charges benefit rates that are specific to the person hired on a particular grant. As faculty build grant budget proposals, they must make their best guess at the correct rate. This leads to many discrepancies between budgeted benefit rates and actual benefit rates. To mitigate this, and as a part of the systemwide adoption of UC Path, UCSC will begin to charge benefit rates that are a composite of all employees in certain categories.

COR reviewed the current CBR proposal (Scenario L, based on fiscal year 2011 data adjusted only for increased retirement contributions). This Scenario provides six composite rates for different categories of employees: academic faculty; academic other; staff exempt; staff non-exempt; partial benefit eligibility; and no benefit eligibility. Further, the academic faculty category is broken down into four possible options for a composite rate. Director Lawson explained that the initial effort behind the CBR was to create a single rate for the whole system. This is not feasible because of the different benefit structures at the various campuses. A single UC rate would result in certain campuses subsidizing others. UC Office of the President and external consultants, working with representatives from each campus, have developed a number of different scenarios, resulting in the most recent iteration, Scenario L. Scenario L's six groups represents the lowest level of detail possible.

COR asked Director Lawson to explain the difference between the four options under the academic faculty category. Director Lawson answered that main difference between the four options is the treatment of faculty summer salary. The options are:

- Option A – 34.2% CBR. All benefits (health-welfare, taxes, and retirement) are all charged to the grant. In this option, faculty summer salary is not treated any differently than academic year salary.
- Option B – 22.0% CBR. Health-welfare and taxes are included in the CBR, and retirement is charged to the grant separately. The academic year rate would be ~34.7% (22.0% + 12.7% UC Retirement). The summer salary rate would be ~25.5% (22.0% + 3.5% DCP)

- Option C – 22.0% CBR. Health-welfare and taxes included in the CBR, and retirement is charged to the General Fund.
- Option D – 8.4%. Taxes are included in the CBR, retirement is charged to the grant, and health-welfare is charged to the General Fund.

Director Lawson explained that one of the most important factors in the move towards CBRs is the effect this change in philosophy will have on different fund types in the university. Different populations in the university have different benefit cost profiles, creating huge swings in the fund level impact. The transition to CBR from UCSC's current methodology could be very painful, as not all funds are equal and the campus cannot simply take resulting positives from one side and apply negatives on another. Director Lawson shared UCSC Planning & Budget's projections for CBR impacts on various campus units. One unit that stands to benefit greatly is Auxiliary Services, because many food service employees have a benefit to salary rate of ~65%. Under CBR, this would drop to 53.0%, saving Auxiliary Services money. Conversely, the projections show a big hit to the University Affiliated Research Center (UARC). Many employees at UARC have higher salaries, meaning their benefit to salary ratio is low. With a CBR, this rate would increase (from ~34% to 40.1%).

COR asked about the rationale of charging faculty benefits from summer salary. Currently, faculty receive health benefits during the summer that are paid for during their normal 9-month work term. The CBR proposal would begin to charge faculty for benefits that they previously were not paying for. To COR, this seems to create a new flow of money that is not reflected in the documents from Planning & Budget. Director Lawson replied that additional money collected goes to lower the total faculty CBR. There is no savings in this model. It's about true benefit costs. COR agreed that this model would not increase or decrease the cost of benefits in the true sense. Instead, the CBR shifts the burden of the benefits more to faculty that the current model.

COR noted that there are many positive aspects to the CBR proposal. Primarily, the CBR will take away the uncertainty in grant applications and budget planning. Also, it will save the university valuable bandwidth currently used to calculate the actual cost of each individual employee. Director Lawson agreed and explained that the university will have to come up with a rate and deploy it before knowing the actual costs for a given fiscal year. There will be a two-year look-back period for adjustments to be made to the composite rates. The rate is not set in stone and could fluctuate on a two-year basis.

COR asked about the implementation timeline for the CBR. Director Lawson responded that it is tied to UC Path, which has been delayed multiple times. The CBR certainly will not take effect July 2014, but perhaps could by July 2015. COR asked about a transition plan for faculty with multi-year grants. Director Lawson answered that there is not current plan but there will be. He reminded the committee that the projections are currently based on FY2011 data, so more current data will need to be collected to develop the implementation and transition plans.

The meeting adjourned at 4:00 pm