

Subject: [Academic Senate] Rebenching Statement
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To: senate@ucsc.edu

Dear colleagues:

Please find attached a statement on Rebenching, co-written with UCPB Chair Jim Chalfant from our perspective as members of the Rebenching Task Force. Its purpose is to record everything we know currently about rebenching, to enumerate unresolved issues, and to communicate outside of the usual channels with faculty across the system.

As you already know from the regular updates you've gotten both from me and Chancellor Blumenthal, Rebenching is critical to the well being of the UC system, the best, and perhaps only, answer the Office of the President (UCOP) has to outside criticisms from the Bureau of State Audits last year and, more recently, to growing concern over privatization and non-resident enrollments. It is especially important to discuss the Rebenching recommendations now---including their role in absorbing cuts for 2012-13, extending to the "trigger cut" we all desperately hope to avoid.

Despite this urgency, the final report of the Rebenching Task Force has not yet been issued nor has any formal announcement about the Rebenching plan been made by UCOP. This document is a response to the communication vacuum.

We plan to circulate the document as widely as possible, starting with Senate chairs across the system, who may send it to their faculties on the same basis-- here is what has been recommended, and here is a list of things that remain unresolved. Even with summer distractions, there is a high level of interest but a very low level of information around the system.

Finally, tapping the power of open communication, public knowledge of Rebenching is a goal in itself, exerting pressure to ensure the immediate implementation, successful completion, and ongoing oversight and assessment of the progress toward rebenching goals.

Yours,
Susan

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— Attachments: —

Rebenching letter for faculty.pdf

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REBENCHING: A GUIDE AND UPDATE

What is rebenching?

The University of California process for allocating over \$2B in annual state funding is poorly understood, impossible to explain, and misaligned with the University's priorities. After years of inaction, under the pressure of continually declining state resources, in 2008 the UC Office of the President initiated a two-stage plan of budget reform. The first phase, "Funding Streams," implemented in 2011-12, replaced the then-current, complicated system of cross-subsidies and reallocation of various revenue streams from one campus to another with a new framework that now leaves all revenues generated by a campus—tuition, non-resident supplemental tuition, indirect cost returns, and others—on that campus. Thus, campuses directly receive the benefits from increased effort in generating these revenue streams.

Funding streams dealt with all revenue streams except for funds that come from the state. A second reform—long overdue and a necessary companion to the first reform—has been discussed since early 2011. Dubbed "Rebenching," it is designed to create greater transparency and equity in the formula for distributing state funds across the campuses. Rebenching would replace the historical allocation model, which simply applied shares of any annual augmentations or cuts to the prior-year "base" budgets of the campuses, a process that was followed for decades. Growth in student numbers was funded differently depending on when it occurred, making it important not only how much a campus has grown, but *when* it grew. The result of this model is that state funding per student now varies significantly among the campuses, and no one, including the Office of the President, can explain the reasons for the disparities. Rebenching aims to ensure that a resident undergraduate is funded the same, regardless of campus, and to provide a transparent model that demonstrates the critical role of state funding in preserving UC as a public institution.

In April 2011 the Office of the President assembled a systemwide Rebenching Task Force that included at least one representative from every campus, with several chancellors and other senior administrators, five Academic Senate representatives, and several UCOP participants. Concluding its work in March 2012, the Rebenching Task Force has not yet issued its report with recommendations for rebenching, although a draft has been circulating among administrators. Given this communication vacuum, we are distributing this "Guide to Rebenching" to summarize the recommendations made by the Task Force, explain the principles or goals on which they are based, and establish next steps.

What are the Rebenching Task Force recommendations?

- **The fundamental recommendation is to allocate state funds to the campuses on an enrollment basis.**

Several key principles, both academic and budgetary, underlie this recommendation, most already proposed by the Academic Senate in the [Implementation Report](#) (August 2011; see the hyperlink for the full document). The state subsidy per student should not depend on the campus the student attends, only the type of student; this recommendation

follows from our core value that UC is one university with one standard of excellence at its ten campuses. The cost of a UC-quality education is the same on every campus, and the campuses should be funded accordingly.

- **Per-student funding will be distributed on a weighted basis by type of student (undergraduate; master’s students, academic and professional; PhD students; health sciences students).**

Weightings recognize that it costs more to educate a doctoral or medical student than an undergraduate.

- **Rebenching will be implemented so as to bring all campuses up to the current highest level of per-student funding, currently UCLA.**

We note that this amount is estimated at \$6413, which falls far below the estimate of the actual cost of a UC education. This amount is derived from currently available state funding divided by students on the campuses – thus it reflects the current allocation, not any desired level of funding that would achieve the level of quality to which UC aspires. The Task Force specifically chose to set its target at the maximum level of per-student funding currently observed---already inadequate---rather than an even less desirable outcome, such as moving everyone to the current average per-student allocation.

Additional details are provided in an appendix below.

- **To determine the total available state funding, selected units are funded “off the top”.**

Some of these off-the-top allocations reflect systemwide priorities that have no relation to the number of students on the campuses where those units reside—the Agricultural Experiment Station, Neuropsychiatric Institutes, and Mental Health Teaching Support—as well as allocations to two campuses, UC Merced and UC San Francisco. Merced is an outlier due to its size, while San Francisco is an outlier because it has no undergraduates. Finally, \$15M will be allocated to each campus as a “fixed cost set-aside”.

- **The transition to this new allocation model should occur over a six-year period, using “new money,” that is, through increases in funding provided by the state, rather than by redistributing current base budgets.**

However, in recognizing that alternatives need to be in place when the budget is cut or flat, a second source of funding would be savings from reducing allocations to systemwide units. A third option would be reductions in allocations to the best-funded campuses. The funds that remain after off-the-top items will be allocated on a per-student basis.

- **There will be a penalty if a campus falls below its undergraduate resident targets.**

As the Senate proposed, an undergraduate at one campus will be allocated the same amount of state funding as an undergraduate on any other campus; this funding would be provided only up to a targeted enrollment; campuses receive tuition only for any students above their targets. If a campus falls below its targeted enrollment of resident undergraduates, it would give up the per-student allocation plus an additional amount, currently suggested to be an additional 50% of the per-student allocation. The mechanism recognizes the financial incentives campuses have to enroll non-residents as a revenue source, the disproportionate ability of campuses to attract non-residents, and the possibility that UC could lose its capacity to accommodate all eligible residents as the number of non-resident students grows. To address these incentives, and the need for

eligible residents displaced at one UC campus to be accommodated at another UC campus, the Task Force proposes that campuses that fall more than 1% below their resident enrollment targets will lose state funds at 150% of the per-student state fund allocation for each student below the target. A provision such as the 1% margin is intended to recognize that campuses cannot predict with certainty how many students will accept offers of admission; allowing some margin, and perhaps basing the calculation on a three-year moving average, avoids creating the incentive to over-enroll, simply to reduce the chances of falling below an enrollment target due to unexpectedly low rates of acceptance.

What still remains to be done? [For a detailed list, see appendix below.]

- **The recommendation to enforce resident enrollment targets requires a systemwide enrollment plan that will be designed next year.**

The success of rebenching rests on the development of a long-range enrollment plan, but little information about this plan has yet appeared. Therefore monitoring the details and ensuring the timely completion of the enrollment plan will be critical.

- **A full systemwide review of the rebenching report must be undertaken as early as possible in 2012-13.**

The principle of one student/one level of support has been putatively accepted by the Rebenching Task Force, but the delay in producing a report to be submitted to President Yudof and reviewed systemwide is alarming. The most destructive delaying tactic is the repeated objection, voiced by those who mischaracterize rebenching primarily as a policy of redistribution, that rebenching will be divisive, pitting haves against have-nots, the flagships versus foundering ships, larger and older campuses versus the younger and smaller. These terms are simply synonyms for the fragmentation of the UC system by campus self-interest. Closing the per-student funding gap will bring the UC budgetary model in line with the long-held value that we are a single public university with ten campuses seeking to deliver the same level of excellence in fulfilling UC's mission. This goal, reaffirmed at multiple times and in multiple venues by the Academic Senate, is now in jeopardy.

Conclusion

By failing to enact rebenching in tandem with funding streams, the UC system would sustain the disparities in funding across the campuses that characterize the status quo, which President Yudof has publicly recognized as the outcome of a long history of ad hoc budgetary decisions. Rebenching may turn out to be the university's most significant response to the ongoing budget crisis of the last twenty years—and the single largest reform tool the university has in its direct control. However, we fear that this opportunity is slipping away. The funding streams policy has intensified the differences in campus self-generated revenues, and only strong leadership from the President can guarantee immediate implementation, successful completion, and ongoing oversight and assessment of the progress toward rebenching goals. Now is the time for the UC community to engage in open discussion and active support of the rebenching recommendations.

Appendix: Additional Details

How exactly do the calculations work?

First, a calculation of the *weighted total enrollment* on each campus is made, using targets, not actual enrollments. A resident undergraduate is assigned a weight of 1.0, as are professional Master's and academic Master's students. Academic PhDs are assigned a weight of 2.5 and Health Sciences professional school students a weight of 5.0. A campus with 20,000 resident undergraduates, 2,000 PhDs, and 1,000 Health Sciences professional school students would have an enrollment figure of 30,000. (Other categories are excluded only for simplicity in illustration.)

The next step is needed only because we have not yet moved to a new model. On each campus, a calculation of per-student funding is made. Net state funding, deducting off-the-top items from campus "base" budgets, is divided by campus enrollment to calculate per-student funding. If the campus with 30,000 for its enrollment figure had been receiving \$150M in state funds, its per-student allocation would be \$5000. The campus with the highest per-student allocation currently is UCLA, at \$6413. (The Davis campus is slightly below UCLA, and every other campus is below \$6000. Irvine and Santa Barbara are below \$5000.) This amount becomes the targeted per-student funding for every campus. The long-run recommendation for the rebenching model is to bring each campus up to the per-student allocation of \$6413, first using new money, then cuts to systemwide programs, if necessary, and finally, cuts to the best-funded campuses, if necessary. The system would need \$222M to bring all campuses up to the UCLA figure, at current "budgeted enrollments." However, the rebenching recommendations assume (and depend upon) an updated UC long-range enrollment plan that will set new targets for 2013-14. Allocations for 2012-13 will use the current shares of weighted enrollment, using budgeted enrollments.

As long as a campus enrolls its targeted figure or more, for each type of student, these funds are provided. Students above target bring no additional state funding, only their tuition net of return to aid. Non-residents are included in every target except undergraduates, where only California residents are included. Finally, the Task Force recommends a penalty for falling below target. When a campus falls below its resident undergraduate target, for instance, it gives up the state funding associated with that number of students, plus a penalty. One proposal is for the penalty to be the return of an additional 50% of the per-student allocation, for each student below the target. That amount could be used to induce another campus to increase its target enrollment. Since campuses experience variation in their "yield rates", it is envisioned that something like a three-year moving average be used for enrollments, and perhaps a 1% margin before state funds are reduced.

What are the open questions under rebenching?

1. We anticipate that the concept of a penalty will be controversial and perhaps misleading. The Senate anticipated that we would use past enrollment targets,

and that campuses may seek to drop below those targets, in which case there is a need to address the amount of state funding they would give up as a result; hence the penalty. A different problem may arise when the campuses are free to propose new, and in some cases, lower targets in the 2012-13 process: the sum of nine campus targets may well fall short of the number of resident students the University would like to enroll. Even 150% of \$6413 is a relatively small penalty when compared to the non-resident supplemental tuition received from displacing a resident undergraduate student with a non-resident student. The campuses stand to gain over \$10,000 per student from such a substitution. When the campuses propose target enrollments, their aspirations for residents relative to non-residents may not be compatible with the system's overall target for resident undergraduates. A higher "price" may be needed to induce a campus to expand resident enrollments.

2. The process for making allocations to UCM and UCSF is not yet settled. It is anticipated that they would share in augmentations, and UCSF would share in cuts, but by a smaller percentage than other campuses.
3. There has been no review of the off-the-top amounts.
4. The proposal is to gradually bring the other campuses up to UCLA's level of per-student funding, over a six-year period. With augmentations in state funding in each year, one option would be to allocate 80% to the campuses based on enrollment shares; UCLA would participate fully. The remaining 20% of the funding could be allocated to those campuses with per-student funding below the highest level. Each campus could receive 1/6 of its gap with respect to UCLA, or the funding could differentially target the campuses that were further below the highest level, in that year. The 20% figure comes from a forecast for new state funding from earlier in the spring, and the cost of allocating 1/6 of the amount needed to each campus. All of these figures are provisional. The Task Force favored a fixed adjustment period of six years over the alternative of delaying the process, in the event of cuts in state funding. In that case, when cuts were allocated, they would, in effect, have to be allocated differentially, to allocate the cuts proportionally, in one step, while also bring the campuses closer together in the other. No specific examples have been modeled.
5. These weights may not be the best choices; they will draw criticism.
6. The per-student allocation of \$6413, when coupled with tuition net of return-to-aid, falls well below what UC would say is a reasonable marginal or average cost figure for delivering the curriculum at a level of quality that UC seeks to maintain. The Senate had advocated using a higher figure, along with a determination that a certain percentage of students are unfunded, by our measure of costs. This model serves to allocate state funds without such a calculation, but it should not suggest that costs are covered by such a small per-student allocation.