

WORKING GROUP RECOMMENDATION

Size and Shape

Recommendation 7: Campus Funding – Allocate undergraduate financial aid based on student need; maintain the undergraduate student self-help component of financial aid at the same level across all campuses. Endorse the proposal to fund the Office of the President by an assessment on campus resources based on all campus revenue. Change the funding model for the campuses by allowing campuses to retain the education fee increases generated by their own students and by readjusting the base funding formulas for the campuses. Do not automatically apply education fee increases to academic graduate students.

Recommendation 7A – Undergraduate Student Financial Aid. The Size & Shape Working Group endorses the current model of distribution of undergraduate financial aid under the University Student Aid Program (USAP), which allocates financial aid based on student need, and which seeks to achieve the same self-help level for student aid at every UC campus. Under this model, the distribution of financial aid should be undertaken so as to keep the self-help level consistent across all campuses and thereby maintain a level playing field for all UC students.

Rationale:

The practice of distributing undergraduate financial aid based on need is essential for system like UC, which has systemwide eligibility and the potential to redirect student applicants to other campuses. As a system, UC should ensure that all campuses are equally affordable for students with financial aid needs.

Recommendation 7B – Funding the Office of the President. The Size & Shape Working Group proposes that the central operations of the Office of the President of the UC system, including Presidential and special initiatives and programs to implement system-wide goals and priorities, be funded through a direct assessment on all campus revenue streams.¹ Such assessments would be adjusted periodically, and would reflect changes in the needs of the central administration, as well as changes in campus revenue streams. Campuses may pay this assessment using any funds available to them.

Rationale:

The Office of the President provides services to all portions of the campuses. Funding central operations and priorities by an overall assessment of campus funding streams provides a more transparent, equitable, and predictable approach to funding of central activities and Presidential initiatives.

¹ For this to take effect, there needs to be agreement on a definition of “campus revenue streams” that equitably accounts for the fact that similar functions may generate revenue in different ways on the various campuses. This is particularly true of auxiliary enterprises like bookstores or certain hospital functions that may be run by affiliated entities on some campuses but may constitute part of the UC core on other campuses.

Recommendation 7C – Funding the Campuses. The Office of the President, in consultation with the campuses, should review and revise current system-wide funding formulas in an open and transparent way in order to attain a clear and equitable distribution of funds with the following goals:

Immediate Implementation:

- Allow campuses to retain all new revenue generated by the campuses, including education fee increases. All such revenue streams would be subject to the assessment described in Recommendation 7B to fund the central operations of the Office of the President of the UC system.

Longer term Implementation:

- In the longer term (e.g., within 2 years), pursue an equitable and transparent readjustment of base funding formulas through a combination of immediate actions and gradual changes that would ensure a realistic and appropriate transitional period.
 - The goal of any base funding readjustment must be to support excellence on all campuses while maintaining strengths and protecting quality.
 - There are many factors that should be considered when readjusting the base funding of the campuses, including the total number of students being educated by the campus, the distinctive missions of the campuses, and the number of academic doctoral students being trained on the campus.
 - Because the student composition and the roles of campuses change over time, the base budgets of the campuses should be regularly reassessed and readjusted on an ongoing regular basis, perhaps every five years.

Rationale:

The present system by which the campuses are centrally funded is completely lacking in transparency. There is incomplete understanding of how, over time, the base budgets of the campuses have evolved. This has created a complex system that is opaque and inscrutable. Pursuing review and revision of current system-wide funding formulas in an open and transparent way will enable the California public, the Legislature, the media, and the University as a whole to fully understand the critical choices we all face. In addition, it is just as appropriate for the system to reevaluate how it allocates money to the campuses as it is for the campuses to reconsider the funding of each unit on campus, as they are now doing.

- Traditionally the education fee has been distributed back to the campuses in proportion to their base budgets, largely because these fees were seen as a replacement for state funding. However, it is not equitable for students to pay an educational fee on some campuses and not receive the full benefit of their fees.

In addition, all other revenue generated by campuses remain on the campus (e.g. overhead, nonresident tuition, registration fees), and it seems equitable to do the same with education fees. Any significant adverse effects on a campus from this change should be mitigated, at least on a temporary basis, by a special allocation from the Office of the President.

- For historical reasons no longer understood or applicable to the present, there are considerable disparities among the general campuses regarding general funding per student. Given the complexity and opaqueness of the current model, it is appropriate to revisit how the base should be established. The Size and Shape group feels strongly that the great value of academic doctoral students to UC's mission and to the state's economy dictates that a campus's success in training academic doctoral students should be one key factor in determining the campus base budget, along with the total number of students being educated on the campus. Readjusting the campus base budgets will not be an easy task, but it is essential if the funding of the campuses is to be placed on a rational and transparent basis.

Recommendation 7D – Graduate Student Funding and Fees. The Size & Shape Working Group recommends that education fee increases for undergraduates should not automatically translate into fee increases for graduate students. The importance of graduate and, in particular, academic doctoral students to the University's mission and to the state outweighs the financial gain that raising graduate student fees produces. The graduate fee structure should be distinguished from the undergraduate fee structure.

The Size & Shape Working Group recommends that students in free-standing terminal Masters' degree programs be funded in a manner similar to upper-division undergraduate students: California residents pay resident tuition and are eligible for financial aid; nonresident pay out-of-state fees, thereby generating additional revenue for the campus that offers the degree.

Rationale:

Maintaining the competitiveness of UC's graduate programs (especially academic doctoral programs) is essential to the University's mission and to the future of California, creating the foundation to retain our global advantage in cutting-edge technology. The importance of academic doctoral education to UC and to the state cannot be overstated. Academic doctoral students are the core for advanced research, for research dollars, and for the undergraduate teaching force. Under the current fee structure, it is often less expensive for a faculty member to employ a postdoctoral fellow than a graduate student, and less expensive for a department to hire a lecturer than a graduate teaching assistant. Such a funding model is bound to severely hurt graduate education.

Impact on Access:

Maintaining the same self-help level across all campuses assures that students will have access to UC quality education at any campus they attend. Readjusting the

budgets of the campuses in a fair and transparent manner assures that all UC campuses can continue to offer the same excellent educational opportunity to all students.

Impact on Quality:

Assuring a transparent and sensible system of budgeting can be done in such a way so as to support excellence on all campuses while maintaining strengths and protecting quality

Fiscal Implications:

With the exception of limiting academic graduate student fee increases, there are few fiscal implications for the system as a whole. Restricting future graduate student fee increases would similarly restrict the support of graduate education by extramural fund sources, mainly granting agencies. These proposals would, however, potentially shift money around within the system.

Challenges:

Because it is difficult to understand the current budget within the university, any change to a more equitable and transparent system will necessarily entail uncertainty and resistance.

Next Steps for Implementation:

Immediately implement the new funding model for central operations of the Office of the President and return increases in education fees to the campuses that generate them, while appropriately backfilling loss of those fees with other revenues. Begin the process for rebasing the budgets of the campuses.

Other Options:

- The current funding model for the Office of the President and for the campuses is always an option. However, this model is neither transparent nor well understood in terms of its policy origins.
- The model that allows all campus to retain all revenues that they generate (including revenues currently regarded as part of the base budget). This would not include state General Funds, which the President could then distribute for University-wide programs, for supplementing campus operations, and for Presidential initiatives. A significant fraction of state General Funds would be allocated in order to provide equity in student financial aid. Several members of the Size and Shape working group believe that the University of California should move toward this funding model as rapidly as possible.