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## COMMITTEE ON PLANNING AND BUDGET

### REPORT ON THE INITIATIVES PROCESS AND THE FUTURE OF CAMPUS PLANNING

**To the Academic Senate, Santa Cruz Division:**

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#### THE INITIATIVES PROCESS

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As UCSC nears the end of the second year of the Initiatives Process, CPB has developed serious concerns that must now be shared with the Senate as a whole. We acknowledge that the opportunity to compete for “initiative” funding has induced some campus units to reflect differently on unmet needs and future possibilities, and that this new thought has been good for the campus as a whole. Over the past two years, however, the detrimental aspects of the Initiatives Process have become increasingly apparent. We regret to report that, as presently implemented, the Initiatives Process has taken the place of rational campus planning, and threatens to become its very antithesis.

This need not have been the case. CPB has long believed that a limited portion of the campus budget should be set aside for meritorious and innovative projects that may fall outside the immediate priorities and plans of the powers that be. A desirable Initiatives Process would provide a direct channel through which such projects could come to the attention of the administration and the Senate outside the normal planning process.<sup>1</sup>

This is not, however, the Initiatives Process we now have. Last December, CPB produced a critical analysis of the first year of “initiatives”, pointing out that these “initiatives” had imposed much more than a 50% tax on “workload” allocations, inasmuch as Deans proposing initiatives were expected to use their workload funds to leverage those proposals. The effect, we argued, was to place a very large proportion of growth-generated revenue under the discretionary power of the EVC – and outside the normal planning process. The EVC responded to this criticism by folding the Initiatives Process into the normal planning process. The result was to create the unanticipated negative consequence that all requests for new funds, including funds that may be necessary to fulfill the core mission of a campus unit, would now be couched in the language of initiatives.

The justification of expenditures as “initiatives” implies that each proposal has survived a process of evaluation that is analogous to the way in which grant proposals are evaluated, and that the funded proposals are those that have been judged most “excellent” by qualified independent referees. In CPB’s opinion, “initiatives” are a poor metaphor for evaluating many proposed campus expenditures that are now reviewed through the Initiatives Process. One of CPB’s constructive roles in this process IS to promote fiscal accountability by looking critically at the metaphors used to

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<sup>1</sup> There are good reasons to maintain a form of the Initiatives Process that reserves a portion of the anticipated revenues generated by enrollment for high quality projects that would not otherwise be funded according to present administrative priorities. One of CPB’s undergraduate members, Chris Polster, has suggested a model procedure in which the role of Deans would be to produce an impact-analysis of proposals submitted to an independent review committee by departments and other faculty groups. His proposal can be found at <http://artstream.ucsc.edu/film142/chameleon/>

justify particular expenditures. Our concern in all cases is to make sure that this justification is consistent with the core mission of the University, which is teaching and research.

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### ADMINISTRATIVE ACCOUNTABILITY

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The UCSC administration is fundamentally unlike a granting agency that funds outside proposals according to established criteria of merit because it is to a significant extent funding *itself* through this process. Decisions about the administration's own "initiatives" raise questions of policy and planning that are systematically excluded from the Initiatives Process itself. The proposals related to the Banner System, for example, are not in any relevant sense "excellent" – they are merely necessary, perhaps regrettably so, in view of administrative decisions in the past. The present process does not, however, address the larger question of how the campus assigns financial liability for past decisions based on unfulfilled assumptions. Other proposals (e.g. infrastructural planning) are a *sine qua non* for generating the funds that the Initiatives Process seeks to distribute. Presenting this need as an "initiative" presupposes that the campus must use the first several years of enrollment-generated funds to pay for the prior planning that would have normally been required for this growth. Should the campus, rather, set aside a fixed portion of the growth-generated money each year for planning and infrastructural investments? How will it assure that instructional quality is not eroded to pay for growth? Still other proposals, such as the University Relations Initiative, request substantial new funds so that an administrative unit with at least 38 FTE in its base budget can perform tasks that are essential to its core mission. Could University Relations be making more effective use of its base budget to support its core mission?

Even in the area of academic planning, the "initiatives" metaphor can be misleading. The Engineering proposal, for example, asks that the campus forward fund its core curricular plan out of revenues generated by enrollment growth in other fields. This calls for a decision, based on policy and equity. It cannot be made by reviewing the intrinsic excellence of the proposed engineering program without also reviewing the long and short-term costs of a further diversion of campus resources from under-funded programs that did not propose initiatives to support their teaching activities. At the other extreme, Natural Sciences has proposed initiatives genuinely outside its teaching mission that far exceed the proposals of the other Divisions in ambition. These proposals, if funded, would get the lion's share of the FTE resulting from the initiatives process. In a competition for limited resources, they cannot be evaluated merely on their own terms without producing an academically unbalanced campus over the next decade. The future shape of the campus should be based on deliberate, publicly accessible, policy decisions in which the Senate as whole must play a central role.

When CPB has attempted to raise these fundamental questions within the Initiatives Process, we have been told that they are out of place because each proposal must be considered on its own intrinsic merits. There is, however, no *other* place for such questions to be considered now that the Initiatives Process has *become* the campus planning process. CPB is disturbed by the possibility that these questions are not being considered at all. We are equally disturbed by the likelihood that they are being considered and decided *outside* the process of shared governance through which the initiatives are reviewed. If so, the Initiatives Process has diverted an enormous amount of faculty and administrative attention from central questions about the future of UCSC – questions that the EVC and the Chancellor are effectively deciding on their own, without any meaningful discussion or review by the broader campus community.

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### REASONS FOR CONCERN

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CPB's concern about the cumulative impact of hidden administrative decisions on the funding of instruction and research predates the Initiatives Process. Over the past few years, UCPB has developed a method for indexing campus expenditures so that the performance of the campus administrations could be compared meaningfully over time and across the system. The preliminary results raise serious questions about our own campus administration. On an indexed basis, UCSC spent the highest proportion of its state funds on institutional support, and an alarmingly low proportion on research. In cooperation with the campus Office of Budget and Planning, this year's CPB has further developed UCPB's method of analysis to incorporate instructional and administrative expenses. Preliminary results show that in a recent ten period the net amount of state money that UCSC *receives* from the state per student (including fees) has gone up *twice* as fast as the amount that it *spends* for instruction and research per student. In contrast, the amount that UCSC spends on academic administration per student has gone up at least six times as fast as the amount it spends on instruction and research per student – a conclusion we base on the most cautious interpretation of the presently available data.

This data covers the period from 1988-89 to 1998-99, before the budgetary impact the Initiatives Process, and before the campus substantially increased its funding of such activities as central administration, university advancement, public service, and outreach. CPB is still awaiting data on the effects of last year's budgetary commitment (including the funded initiatives) on the proportion of enrollment-generated revenue that goes into UCSC's core mission of teaching and research. We are requesting that this data be provided in a form that would allow us to project and monitor the ongoing effects of the long-term budgetary decisions of the past two years, including the initiatives.

Without such basic information, CPB cannot fulfill its basic responsibility in the academic planning process: to assure the Academic Senate that the core mission of the campus is receiving the highest budgetary priority from the campus administration. We believe that one valid measure of the budgetary performance of a UC campus administration is its ability to deliver over time an increased commitment to UC's mission of teaching and research, relative to various forms of institutional overhead. The citizens of California should expect this of the University as a basis for continuing support, and the system of shared governance gives our Academic Senate the power and duty to hold each campus administration directly accountable for deviations from this expectation.

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### TOWARD A BETTER PLANNING PROCESS

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CPB's two year experience with the Initiatives Process has revealed a series of broad policy issues that have not been, and cannot be, adequately addressed through that process. Among these issues are the following:

**Infrastructural investment and planning for accelerated growth:** CPB has learned through the BAS initiative that this campus has neither the infrastructure nor the plans to accommodate the additional students whom the administration has agreed to admit over the next five years. BAS estimates that the cost of *preparing* for the necessary capital projects would absorb most OF the new revenues generated by the first three years of enrollment growth, leaving little if anything for instruction and research. CPB believes that these "up front" costs could be most appropriately discussed as a proposed "tax" or "investment", rather than as an "initiative," and that our focus

should be on recouping them for the academic mission. An adequate campus planning process would thus seek ways to forward fund the infrastructural and planning aspect of growth without substantially reducing the funds available for instruction per student in the near term. It would also ask how *rapidly* the campus could afford to grow without jeopardizing the quality of education it offers to the present generation of students. Such analysis might be a basis for seeking additional forward funding from the state that could be paid back over time.

**Depreciation and Technological Obsolescence:** CPB has learned through the Initiatives Process that the campus seems to have no standard budgetary mechanism for replacing and upgrading essential equipment. Even where administrative units maintain cash reserves, these often seem only loosely related to the total cost ownership and useful life of their equipment. This is especially troubling in the case mission-critical information technologies, both hardware and software. Technology should not reach the point of malfunctioning or underperforming before it can be replaced by means of an “initiative.” Adequate fiscal planning must find better models of addressing this known issue.

**Base budget and initiatives:** CPB has observed that some campus administrative units tend to package as “initiatives” the most appealing elements of their core mission, and that others use the process to foreground their best cost-saving ideas. In such cases it is appropriate to ask why the items presented as initiatives are not a higher priority for the requesting unit and why they would not be part of the base budget if initiative funding were denied. In some cases there may be good answers that suggest alternative models for funding the proposed requests: e.g., giving the unit its full “workload” allocation or requiring it to “pay back” some part of the savings produced when greater efficiency results from centrally-funded investment.

**Engineering:** Last year, CPB recommended against the School of Engineering’s initiative because we believed that development of its core curriculum should be forward-funded by seed money from OP. The EVC decided contrary to our recommendation, and this year the SOE has requested additional forward funding from campus resources. This expectation of full funding cannot continue without sacrificing the quality of other academic programs. A better planning process would allow us to address the policy issues raised by the lack of sufficient seed money to fund the growth of engineering. Ultimately, SOE must prepare an alternative plan for growth based on resources that can be realistically expected from the campus. Once this fallback plan is in hand, the administration may be able to make a better case to OP that seed money is required to keep the present plan in place.

**Natural Sciences:** The Dean of Natural Sciences has once again submitted impressive research-based initiatives that are far more ambitious than the initiatives proposed by the Deans of Humanities, Arts, and Social Sciences. In effect, he has recognized that the “initiatives” model allows the internal funding process of the campus to reinforce, rather than offset, the advantages of the Natural Sciences Division in getting external support for its projects. This approach to campus academic planning cannot continue without allowing the non-science divisions to become academically marginalized as service divisions. A better planning process would allow for principled debate about the overall role of Natural Sciences in an intellectually balanced University that seeks academic distinction in all areas.

**Plan vs. Program:** The Initiatives Process has put the Deans in direct competition with each other for the academic resources generated by future enrollment growth. There is, however, no necessary relation between the “excellence” of the planning documents produced by each Dean and

the underlying merits of the departments and programs in each Division. Yet the Initiatives Process, in its present implementation, disqualifies any initiative that does not fit its sponsoring Dean's long-range divisional plan. The process thus provides no effective check on the quality or integrity of the Dean's plan, and, particularly, on whether it stifles or advances the needs of the departments and other faculty groupings that offer academic programs. This is something that the initiatives process in its original implementation might have done, and that must be done in an academic planning process that is properly reflective of the longstanding intellectual commitments of campus programs as supported in their external reviews. The current process goes too far in subjecting the priorities of potentially distinguished departments and programs to exogenously motivated changes in the priorities of the divisions and the central administration.

**Retrenchment:** UCSC is still recovering from a period of budgetary retrenchment that was highly damaging to many academic programs. CPB is only now developing the fiscal benchmarks that will enable us to judge how much damage was done, and how far that damage was exacerbated or mitigated by the campus administration's response to budget cuts imposed by the state. There is, of course, no general reason for academic planning to reproduce the past, but a better planning process would allow campus units to make principled arguments that their academic quality was sacrificed in the 1990's and that some growth-generated funds should be used for restorative purposes. Such arguments are systematically excluded from the current process.

**The Future: Growth and Quality:** A better process for planning campus growth would keep sight of a fundamental fact: the additional revenue provided for educating additional student is substantially less than our current per student expenditure ("average cost of instruction"). Such underfunding may be justified in period of normal growth, when we might assume that the physical infrastructure is already in place and that additional enrollment can be absorbed by marginal increases in academic staff. In periods of rapid growth, however, maintaining the quality of academic programs will be difficult, if not impossible, unless we develop fiscal benchmarks for monitoring the extent to which the state resources appropriated per student are used for teaching and research. CPB is currently working with Budget and Planning to develop such benchmarks, and to use them in assessing the impact of enrollment growth (both on this campus and in Santa Clara Valley) on our budgetary commitment to maintaining the quality of a UC education. We firmly believe that a better long-term planning process can and must be built around such benchmarks.

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## CONCLUSION

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For the reasons stated, CPB has lost confidence in the Initiatives Process as an overall approach to campus planning. We have, nevertheless, complied to the best of our ability with the EVC's request that we evaluate each individual proposal. In doing so, we have limited our total funding recommendations to the amount of money available in the Initiatives Process this year. Our specific recommendations, however, reflect our misgivings about the present process, and our view that certain long-term budgetary decisions should be deferred until underlying issues are addressed.

If the EVC chooses to depart from our specific recommendations on funding, we would ask him to explain his position on the issues we raise using fiscal metaphors (such as "investment" and "taxation") that are more appropriate to long-range campus planning than is the metaphor of "initiatives." We would also ask that he provide CPB with an analysis of the *overall* impacts of the funded initiatives for the first two years on projected I&R, IS, and Academic Support expenses per student FTE over the next several years. This information would allow the Senate to evaluate the

impact of UCSC's two-year experiment with "initiatives" on the core academic mission of the campus.

Most importantly, however, we ask that the EVC and his staff commence meetings with CPB and SAC to introduce significant modifications in the planning and budget process for next year. The faculty time and energy consumed by this year's Initiatives Process will have been justified if it begins meaningful dialogue with the administration on the fundamental priorities and direction of campus planning. We believe, however, that even one more year of the Initiatives Process in its present form would be an enormous diversion of Senate attention from the *real* campus planning process, which presently occurs beyond the level of effective shared governance. CPB, therefore, recommends replacing the present Initiatives Process with an approach to campus planning that will make the administration and the faculty jointly accountable for the budgetary decisions that affect our core mission as a University. We are pleased to report that the EVC's initial response to this recommendation has been positive, and look forward to reporting on our discussions with him at the Fall meeting of the Academic Senate.

Respectfully Submitted;

Committee on Planning and Budget

Roger Anderson (ex officio)

Ilan Benjamin

James Clifford

Alison Galloway

Susan Gillman

Bob Meister

Frank Talamantes

John Hay, Chair

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