

SENATE EXECUTIVE COMMITTEE On the UC Budget and Student Protest

To: Academic Senate, Santa Cruz Division

Two principles unify the University of California system of **one university/ten campuses**:

- **Equity for Students:** All UC students are entitled to the **same level of state funding** regardless of which campus they attend; an undergraduate at UCSC must be funded by the state at the same level as at UCLA.
- **Equity for Campuses:** The UC budget must be allocated in a **fair, equitable and transparent way**; currently it is not. Changes to the current system must be implemented NOW so that it will not take decades to achieve equity--the funding necessary to support a UC-quality education--for all campuses.

THE PROBLEM

The UC Office of the President (UCOP) currently uses an incremental budget process to determine annual budgets for each campus—a permanent base amount, which varies by campus, and incremental adjustments made annually to the base amount. This process results in **varying amounts per student** distributed among campuses. **See Table 1.** In Fiscal Year 09-10, the range was significant. For general campuses with both undergraduate and graduate students, it ranged from \$12,309 (UCSB) to \$19,529 (UCLA), with UCSC at \$12,846. [Source: Table 1 is adapted from Tables 5 and 7 in the State Auditor Report, July 2011 <http://www.bsa.ca.gov/pdfs/reports/2010-105.pdf>]

More importantly, Table 1 also illustrates the State Auditor's point that *“the four campuses with a higher than average percentage of students from underrepresented racial or ethnic groups all received less funding than they would have received if each campus received the same amount per student. This disparity highlights the importance of being able to quantify and explain the differences in the level of per-student funding at the campuses.”* Table 1 provides a snapshot of the ten UC campuses according to the demographics of their student populations (the numbers are not broken down by campus but represent averages across the high-low minority serving campuses). When compared to the UC-wide average of students from underrepresented racial or ethnic groups (18%), four campuses have a higher average proportion of 27% (Merced, Riverside, Santa Barbara, Santa Cruz), and five campuses have a lower proportion of 15% (Berkeley, Los Angeles, San Diego, Irvine, Davis); the figure for San Francisco is not applicable, because its student population includes only graduate students in the health sciences, which distinguishes it from the other campuses. Table 1 shows that California students whose families may be least able to afford the recent rise in tuition are differentially attending the campuses that receive significantly lower amounts of state funding per student (a difference of \$3,337 fewer dollars from the average budget per student/per year in Fiscal Year 09/10).

TABLE 1. University of California Campuses' Share of the General Funds and Tuition Budget Per State-Supportable Student. Ordered by percentage of under-represented racial or ethnic groups. Fiscal Year 2009-10

Campus	University general funds & tuition budget per state-supportable student	Enrollment budget over/ under share \$000	Underrepresented racial or ethnic group [difference from UC-wide average proportion of 18%] (a)	Difference (over/under share) from average budget per state-supportable student (b)
Santa Barbara	\$12,309	\$(94,645)	27%	\$(3,337)
Santa Cruz	12,846	(62,812)	27	(3,337)
Riverside	14,319	(42,412)	27	(3,337)
Merced	16,550	(315)	27	(3,337)
Irvine	14,008	(70,103)	15	294
San Diego	15,670	(26,861)	15	294
Los Angeles	19,529	99,232	15	294
Berkeley	17,010	11,469	15	294
Davis	17,660	30,197	15	294
San Francisco	55,186	156,250	n/a	n/a

(a): "Underrepresented racial or ethnic group" (averaged over high/low enrollment campuses) from Table 7 in auditor's report

(b): "Different from average budget per state-supportable student" (averaged as above) from Table 7 in auditor's report

Yet the Office of the President can neither identify reasons for these differences nor quantify them, other than to cite the cumulative outcome of a long history of incentives and disincentives, marginal increments and decrements, with the base budget permanent and all changes occurring only on the margins. Cross-subsidies thus reflect historic priorities and rationales that may have changed (e.g., weighting of graduate students) but the subsidies themselves were built into the base budgets of each campus and have therefore become permanent. **The net result: the Office of the President cannot explain the methodology it uses to determine the amount of funds provided to each campus.**

THE SOLUTION: A TWO-PHASE APPROACH

With the total cost of education increasing as the quality of that education (in the form of class size, access to courses, and time to graduation) erodes, student demands are unmistakable: the state of California must rectify its long-term disinvestment in public higher education. State funding per student has declined significantly from 1990-91, when the state contributed 78% of the average cost per student, to 2011-12, when the state contribution has dropped to 39%. In 2011-12, for the first time, tuition and fee revenue at UC exceeds state support.

The Office of the President has launched its own movement of budgetary reform for the UC system. "Rebenching" is designed to revise the way the systemwide budget is internally allocated across the ten UC campuses. The term "rebenching" has two connotations: the need for new benchmarks to calculate the allocation of state funds to the campuses and for a redistribution of funds in light of those changes. Little-known at this point, 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.

Phase #1: Funding Streams

Starting in the academic year 2010-11, UCOP embarked on the first phase of budget reform, which makes more transparent various revenue sources, or “funding streams,” and allocates all new funds, predominantly *non-state* portions of the budget, according to the basic principle that revenues generated by a campus (whether from student tuition, including non-resident tuition, contracts and grants, other fundraising, etc.) should be returned to the campus.

Phase #2: Rebenching (still in process)

In April 2011, UC President Yudof established the Rebenching Budget Committee, charged with reviewing and making recommendations for revising the methodology by which UCOP distributes *state* general and other funds to the campuses. “Rebenching” would recalculate the total base budget, including all *state* funds, and recalibrate the formula by which they are distributed to the campuses, according to basic principles of transparency and equity. For the first time in UC history, the system wide budget would be justified by a set of clearly defined and articulated principles.

In July 2011, the State Auditor Report, with its documentation of the unequal funding of students across UC campuses, came out *in media res*, when Phase 1, Funding Streams, had been completed, and Phase 2, Rebenching, had barely been launched. When completed, Rebenching, according to OP, would be the university’s response to the recommendations in the Auditor Report.

Where are we now?

We are now operating under partially completed budget reform. The success of Phase 1, Funding Streams, is contingent on Phase 2, Rebenching. By permitting campuses to retain all the revenues they generate, Funding Streams locks in the competitive advantage of campuses that were historically advantaged by differential funding; by failing to move to Rebenching, the UC system sustains that disparity. The current situation promotes the status quo, which President Yudof has publicly recognized as the leaderless outcome of a long history of ad hoc budgetary decisions.

The momentum in Rebenching is to use student enrollment as the basis for funding, by linking systemwide allocation of state funds to current student numbers, with funding tiers for different classifications of students (undergraduates and graduate students, including Masters, PhDs, and professional degrees).

The Academic Senate has proposed a methodology based on the principle that all UC students (divided into three basic classifications, undergraduate, academic PhD, and professional), regardless of campus, should receive the same level of funding necessary to support a UC-quality education. The mechanism for funding PhD students recognizes the centrality of doctoral education to the UC mission and the interdependence of graduate and undergraduate education at UC. Closing the per-student funding gap will bring the UC budgetary model in line with the long-held goal of a single public university with ten distinctive locations across California. This goal, reaffirmed at multiple times and in multiple venues by the Academic Senate, is now in jeopardy.

The principle of one student/one cost has been nominally accepted in Rebenching discussions thus far, but it is unclear how, when, or even whether it will be implemented. A significant question remains about how funding for health sciences, agriculture and other systemwide priorities should be treated. Less substantive, but potentially problematic implementation questions include whether Rebenching should apply *only* to *new* state funds (and, if not, how to apply the new allocation formula in years when the UC budget is either flat or cut) or whether it should be implemented over a long transition period. The most destructive delaying tactic is the repeated objection 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.

UC may finally have arrived at the necessary conjunction of external and internal budget efforts: the ReFund California/student protests are looking for public support to increase funding for higher education and to Sacramento in particular, where the pattern of disinvestment in higher education originates and can be solved, while UCOP is looking inward through Rebenching to create a transparent, equitable method for allocating funds. With student protests across campuses joining the calls across the state, in ballot measures and court challenges, for increased taxes, the stars may be coming into alignment to produce real change. It's up to us to ensure that the make-or-break moment doesn't pass us by. We pledge to provide further updates to ensure that you--students, faculty, staff and the public at large--have the information you need. Now is the time for collective public advocacy on behalf of higher education in California.

Respectfully Submitted;
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