June 16, 2020

**Re: Council on Planning and Budget’s Recommendations and Reflections on the New Budget Model**

In preparing its comments to the Academic Senate Leadership, the Council on Planning and Budget (CPB) engaged in a careful review of budget models at other universities and of UCLA’s own history of attempts to alter its model. Summaries of these analyses are contained in a longer document that provides the basis for many of the thoughts, concerns, and recommendations outlined here.

The current budget model has been in existence since approximately 1998-1999, with only minor adjustments over time. During this period, UCLA has grown and changed enormously as has its financial underpinnings. CPB understands the need to adapt the budget model to the changing environment and stress the important role that the Academic Senate must play in ensuring that UCLA retains its prominence as the top public university in the world. To that end, the various councils and committees all have roles to play. In this document, we highlight some of our most important concerns and provide recommendations for how some of these concerns might be addressed.

Some of the most important implications of the new budget model are the incentives it embodies for units to manage resources efficiently and to be entrepreneurial in expanding available resources. While providing such incentives is laudable, we note that there is also the potential for these incentives to create conditions that are not well-aligned with the long-term goals of UCLA. Under the new model, resources flow to units based on the number of student credit hours (with more weight given to SCH for majors), self-supporting and professional degree tuition, and indirect cost recovery. In the interest of maximizing revenue, units may be overzealous in their effort to attract students to both state and self-supporting programs.

Our goal in this document is to illustrate the potential implications of these incentives and suggest practices to ensure that all campus units are aligned in their support of the core mission of the university—academic excellence in education, research, and service. We provide comments and recommendations to the following bodies: (1) Executive Vice Chancellor/Provost and Office of Academic Planning and Budget (APB), (2) Deans, (3) Academic Senate’s Undergraduate Council, (4) Academic Senate’s Graduate Council, (5) Academic Senate’s Council on Planning and Budget (CPB), (6) Academic Senate’s Council on Academic Personnel (CAP), and (7) Academic Senate Leadership and/or Executive Board,
We end with a discussion of the remaining issues to be addressed in developing the new model. We encourage all parties to work together to finalize these decisions as well as to develop metrics by which the success of the new model might be judged.

To the Executive Vice Chancellor / Provost and Academic Planning and Budget

Shared governance is essential to the mission of the university and has a long history at UCLA. This shared responsibility must be preserved throughout the planning, implementation, and evaluation of this new budget model.

1. Consult with the Academic Senate. The EVC/Provost plays an enormously important role in setting the agenda for the University and in allocating funds to see that vision through. We believe strongly that the campus is best served by frequent consultation with the Academic Senate in setting this agenda and assessing how units might best be supported in fulfilling their missions.

2. Provide access to data needed by the Senate Councils and Committees to further their missions with regard to maintaining both access and excellence across campus.

3. Some units will struggle more than others under the new model, and the financial repercussions of the pandemic will likely exacerbate these struggles. Vigilance will be needed to ensure that the academic mission of the University—in terms of research, teaching, and service excellence—does not suffer. The Graduate Council, Undergraduate Council, and Council on Research should be important participants in this regard.

4. Ensure that Deans receive the training and assistance they need to help their units thrive under the new budget model. Deans will bring different strengths to the table and many may not have had the experience or expertise in managing resources to this extent. Assistance from Academic Planning and Budget (APB) in budgetary matters will be important as will assistance from the Provost’s Office in setting the academic agenda and in understanding how to best leverage resources.

5. Work with CPB and the Academic Senate more broadly as soon as problems arise in order to implement solutions quickly and effectively.

6. Meet regularly with CPB to monitor the roll-out and implementation of the new model and draw on CPB and the Academic Senate Leadership more broadly to help faculty on campus understand the ramifications of the changes and the reasons behind them.

7. Provide additional resources, if necessary, when there is a change in leadership. There are always some “costs” when a new dean is brought in to lead a unit. With the new budget model these costs will be amplified and underlying departments will have to adjust to changes in priorities and budgeting decisions. The importance of four-year plans and the length of terms for deans at five years could exacerbate any
issues. We encourage the EVC/Provost and APB to provide additional support during these transitions and help ensure that departments do not immediately face dramatic changes in their underlying budgets or programmatic guidelines.

8. Initial conditions matter. Much thought has been given to variation across units in their ability to capitalize on SSGPDPs. Less well analyzed is the variation in the ability of units to monetize other assets. Units which “own” classrooms or other meeting spaces have the opportunity to rent those spaces to other units earning a stream of revenue. Given the shortage of space on campus and the growing need for space for SSGPDPs, these differences could potentially lead to unintended inequities and prohibitively large use costs for non-revenue generating programs. These differences should be assessed and their impacts included in discussions of other allocations across units.

9. Clarify the mechanisms by which tax rates and other parameters may change under the new budget model and involve CPB and Senate Leadership in discussions of such change.
To the Deans

1. Work with local Faculty Executive Committees (FECs) and Department Chairs in developing four-year strategic plans and setting the academic vision for the units.

2. Clearly outline the incentives accruing to Departments under their purview so decanal and departmental efforts are aligned.

3. Be mindful of existing priorities and budgetary incentives when new deans assume their posts and make every effort to ensure that departments do not immediately face dramatic changes in their underlying budgets or programmatic guidelines.

4. Pay particular attention to the balance between rewarding departments who respond to incentives to produce additional revenue and supporting those who are unable to do so.
To the Undergraduate Council

We believe that some of the strongest incentives resulting from the change in the budget model are those encouraging units to increase the enrollment of undergraduates, both undergraduate majors and non-majors. These incentives could potentially be a boon for undergraduate education with units competing in the quality of the undergraduate experiences they offer. However, units may also try to attract students through grade inflation, easier courses, varying the number of required courses in a major or units per course, or directly taking students away from “competitors” with “local” versions of courses offered elsewhere.

Undergraduate Council (UgC) will play a key role in protecting the quality of the undergraduate educational experience. We encourage UgC to think proactively of ways to measure today's baseline level of performance and to guard against changes that negatively affect the educational experience. We pose some possible mechanisms and respectfully suggest that 8-year intervals are unlikely to provide sufficiently timely monitoring during the transition period in what is likely to be a rapidly evolving situation.

1. Remain watchful of potential deterioration in the excellence of academic programs as a result of shifting funding patterns. UgC is best positioned to assess what data are most useful in assessing quality and how that might vary across fields. To that end, the UgC should be empowered to work with the registrar or other administrative units to collect these data in a systematic way.

2. Remain watchful to issues of access and diversity as units respond to new incentives.

3. Metrics, such as median grades per class, or other such indicators that UgC deems appropriate, can be used to monitor and guard against grade inflation. Reporting can serve as a safeguard of academic excellence and appropriate light ought to be shed on changes in grading patterns.

4. Careful oversight of changes in major requirements—adding or deleting required courses or units per course to attract more student credit hours (SCRs)—while some changes will be in the best interest of academic excellence, others may be more self-serving. These issues currently come before UgC so require only that they be considered from this angle as well. Departments proposing such changes ought to assume some of the responsibility for adequate justification.

5. Careful oversight of new courses to avoid duplication elsewhere on campus. Currently much of the authority for the approval of undergraduate courses is delegated to the relevant Faculty Executive Committee (FEC). Given the incentives for units to behave strategically, we suggest that the Council carefully monitor changes in courses and major requirements. The UgC could request that the relevant FEC / department supply documentation regarding how the change might impact other departments or units and perhaps include supporting letters from those departments.
6. Implement mechanisms to ensure that summer courses are taught with the same rigor as courses offered during the academic year.

7. Undergraduate Council should exercise oversight over Summer certificate programs, camps, etc. These have the potential to generate revenue but can also damage our brand if we do not establish mechanisms to ensure their quality.

Because salaries are felt at a more local level with the new model, there will be increased incentives to economize on the cost of teaching—replacing ladder faculty with non-ladder faculty, or more highly paid faculty with less expensive faculty. To the extent that these changes affect the undergraduate experience Undergraduate Council ought to monitor the distribution of teaching duties and changes over time.

1. Are classes becoming larger?

2. Are a larger share of credit hours being taught by non-ladder faculty?

3. Are there fewer independent study contracts being offered?

We recognize the additional burden placed on Undergraduate Council with these recommendations and suggest that they seek help from the Academic Senate in reassessing priorities and / or allocating tasks as efficiently as possible.
To the Graduate Council

With respect to graduate education, the new budget model includes strong incentives for the continued growth of self-supporting and professional degree programs. Graduate Council has been working hard to keep up with new proposals, and with the new model the arrival of such proposals will potentially accelerate. Some of these programs may not flourish and units may be tempted to lower admissions standards to fill seats. A similar problem would arise should student preferences change and currently successful programs become less popular.

We recommend continued vigilance in the establishment and evaluation of Self-Supporting Graduate Professional Degree Programs (SSGPDPs), in terms of their academic content, the quality of the students who matriculate over time, and in the accounting of any negative effects the expansion of such programs—both in the number of programs and the number of students in existing programs—might have on state-supported programs. For example:

1. Remain watchful of potential deterioration in the quality of programs afforded students as a result of shifting funding patterns.

2. Remain watchful to issues of access and diversity as units respond to new incentives surrounding self-supporting degree programs and other revenue enhancing programs.

3. How have GRE, GPA, TOFEL or other measures of student achievement for the incoming classes changed over time? To what extent does the quality of academic preparation vary across programs? Graduate Council is best positioned to assess what data are most useful in assessing quality and how that might vary across fields. To that end, the Council should be empowered to work with the registrar or other administrative units to collect these data in a systematic way.

4. How have the number and quality of applicants changed over time? One would hope that the quality would improve over time as information about the program spread.

5. How are TAs allocated to the self-supporting program? Are stronger TAs assigned to self-supporting programs to ensure student satisfaction at the expense of state-supported programs?

6. Although difficult to measure, do faculty spend less time advising Ph.D. students or undergraduates than they have in the past?

7. Are there protections in place to avoid diluting the quality of the state-supported degrees?

8. If units increase undergraduate enrollments, will the increased demand for teaching assistants (TAs) lead to increases in the workload for TAs or a dilution in the quality of graduate students in state-supported programs in an effort to attract more students to fill TA positions?
To the Council on Planning and Budget

Obviously CPB needs to play a critical role in the implementation and maintenance of the new budget model. It should:

1. Be a resource for the Councils and Committees of the Academic Senate in providing assistance in understanding the implications of the new budget, working with APB to obtain information from various units, and helping monitor the overall budget situation.

2. Work closely with APB throughout the process to help ensure the incentives do not put in jeopardy our academic mission, to reduce the effect of unforeseen consequences, and to respond as quickly as possible in making adjustments.

3. Monitor the costs of shifting to the new budget model to ensure that any increases do not encroach significantly on the proposed financial gains. One of the important structural changes will be the growth in importance of local budgetary units. APB is well aware of the need to train budget personnel within divisions. However, in moving to a more local budget model, there will be extra overhead costs incurred.

4. Assist APB in the review of the budget component of the Deans’ Four-Year plans to ensure that the budget forecasts are reasonable and in line with other goals of the unit. This policy was in place previously and we strongly advise continuing it.

5. Work with APB to help ensure responsible spending at the Center. In the new model in which resources for the Center derive from the units, there may be less incentive to economize.

6. Work with APB to monitor the financial health of SSGPDPs and advise Graduate Council when programs might need to be disestablished. The increasing pressure to establish SSGPDPs may lead to programs that are less financially successful and changes over time in demand may mean that programs that once flourished could run into financial difficulties.
To the Council on Academic Personnel

Given the more localized budget model, deans have an incentive to economize on faculty salaries, with lower increases in merit reviews, less aggressive retention offers, and bias toward hiring less accomplished (lower-salaried) faculty. Similarly, units might not fill a faculty line and replace a ladder faculty member with an adjunct professor if it helps the bottom line of deans.

1. Monitor carefully the merit review processes in conjunction with the Vice Chancellor of Academic Personnel. Faculty are likely to be pulled away from current obligations and expected to assist in more entrepreneurial efforts such as development, SSGPDPs, and monetizing intellectual property. While it is likely that faculty will still prioritize research, the new budget model may disincentivize and thus negatively affect departmental and university service as well as undergraduate teaching. (For example, many SSGPDPs pay faculty to serve on admission committees while state-supported programs do not.)

Preserving UCLA’s mission as one of the world’s top educational and research institutions in of first order importance. To that end, we recommend that CAP:

2. Monitor carefully changes in service and teaching commitments over time and endeavor to weight as appropriate participation in such during the review process.

3. Monitor carefully the quality of research produced by faculty as changes in the funding model potentially result in changes in faculty research time.
To the Academic Senate Leadership & Executive Board

In addition to creating incentives for units to manage efficiently and grow resources effectively, the new budget model also will provide additional funds for the central administration. These funds can serve an important purpose in advancing UCLA’s mission, developing new and innovative programs, and supporting interdisciplinary work. They also can be used to offset negative consequences of the new model likely felt by some units, and ensure that we remain at the forefront of research and teaching across a broad range of disciplines.

This arrangement also provides a critical opportunity for the role of shared governance. We encourage in the strongest possible sense, the Chancellor and EVC/Provost to work with the Senate in setting priorities, building a campus vision, and implementing that vision. We believe that the Academic Senate can:

1. Work with the EVC/Provost on setting campus priorities and helping to ensure that funds are used to advance our shared academic mission.

2. Work with the Central Administration to ensure that Senate Councils and Committees have access to data needed to fulfill their charges.

3. Work with APB Oversight of Central Administration to ensure that funds are allocated across campus in accordance with our mission and priorities.

4. Work with the Undergraduate Council, the Graduate Council, and the Faculty Executive Committees to ensure that Interdisciplinary programs do not fall through the cracks with the new model.

5. Provide charges to other Academic Senate Committees or form working groups as warranted.

More generally, some units will struggle more than others with the new budget model. The Academic Senate needs to be mindful of areas in which funding appears to be out of line with the teaching and research missions of the university.