

December 3, 2021

**To: Council on Planning and Budget**

**From: Budget Model Working Group**

**Summary of issues noted by the Budget Model Working Group (BMWG) of the Academic Senate's Council on Planning and Budget (CPB) on the white paper (version of November 4, 2021) prepared by Academic Planning and Budget (APB) on the Bruin Budget Model (BBM)**

The members of CPB's BMWG reviewed the November 4, 2021 white paper on the UCLA Bruin Budget Model at their meeting on November 19, 2021. Members resumed the discussion electronically.

Members appreciate the opportunity to provide feedback on the white paper on the BBM, and also the broader effort to engage the campus community in a discussion of the new budget model. As we have seen in the past year, there is a great amount of unease and mistrust among faculty and staff regarding a variety of campus proposals, including the BBM. We view this white paper and other attempts to inform the campus about BBM's details as important tools in building trust and support for undertaking a major change to the way UCLA operates.

We believe APB deserves considerable credit for this effort to generate a document to explain (i) the "planned transition to a new budget model," (ii) the "main features of the BBM" (and how they compare to those of the current model), and (iii) the "plans to oversee and continuously improve the BBM" (p.1). One example of how such a document can have a positive impact among stakeholders on campus is the explanation that the General Fund Supplement (GFS) "is designed to be stable and predictable" as "[t]he amount provided in the first year will likely only be adjusted for inflation in future years" (p.21). As we understand it, this section of the white paper addresses an issue that had been the source of major concern in the past (see, for example, CPB-BMWG document "Report on Action Item 4" dated Dec. 18, 2020).

The overarching purpose of our response to the document is to provide productive criticism and suggestions for improvement of the white paper. In so doing, we will organize our response by first presenting some high-level feedback, followed by a listing of more specific edits or suggestions.

#### **Higher-level Feedback**

The working group felt that the introductory sections of the document were relatively well-developed. In contrast, the actual description of the main features of the BBM and the description of the plans to oversee and improve the BBM come across as less developed and lacking some important details.

Given that one of the three stated purposes of the white paper is to describe "the main features of the BBM" (p.1), it is surprising that some of these main features of the model are described in vague terms

or explicitly acknowledged as not having been determined yet. It is hard to envision how a description of the model in these terms would reduce anxiety among stakeholders when the BBM is scheduled to be launched in about seven months and several main features remain obscure or undetermined.

For example:

- *The BBM expenditure tax*: while an initial 5% rate is described for “expenditures from sales and services funds” and “total SSGPDP expenditures (including transfers) net of financial aid” (p.23), the white paper acknowledges that “several elements of the BBM expenditure tax are not yet finalized” and provides as an example that its application to UCLA Health is “still under discussion” (p.23). Given the very large revenue generated by UCLA Health, this unresolved issue is quite significant.
- *Central services to be paid for by the BBM expenditure tax*: as explicitly acknowledged by the document, “which services will be covered by the expenditure tax and which will remain premium recharges” remains to be identified (p.23). This is akin to a government announcing a new tax without telling their citizens what it will be used for.
- *Application of activity-based components of the BBM to interdisciplinary work*: the paragraph under the subheading “Interdisciplinary Work” does not state anything concrete other than that APB is still “looking into” this issue (p. 24).

Additional examples follow in the next section of this document.

Given that one of the stated purposes is “to contextualize UCLA’s planned transition to a new budget model” (p.1), the white paper would benefit from additional justification of decisions made about the BBM that might otherwise seem arbitrary.

For example:

- How will this particular hybrid model do a better job of addressing UCLA’s budgetary issues than our current model or any of the other model types described in the document?
- What is the rationale for critical numbers of the BBM, such as the “80/20 split” (p.20), a “three-year average” for undergraduate “major headcount and undergraduate credit hours taught” (p.19) but “two-year enrollment averages” for graduate “enrollment” (p.21), and tax rates of 25% (p.22) and 5% (p.23)?
- The BBM appears to provide a massive subsidy to self-supporting graduate professional degree programs (SSGPDPs) by taxing state-supported instruction at 25% (p.22) but SSGPDP expenditure at 5% (p.23). Whatever the central university functions are that state-supported instruction supports through the tax, SSGPDPs get a break by paying only one-fifth the tax (setting aside technical points about revenue vs. expenditure and other formalities that matter but, it appears, marginally). To say that we must incentivize SSGPDPs provides no answer to the question of the optimal level of incentive. One could also incentivize SSGPDPs by setting the tax rate at 0% and further paying huge bonuses for having an SSGPDP. And there still are incentives for SSGPDPs even with a 25% tax.

The white paper acknowledges a variety of issues under the subheading “Concerns and Areas for Possible Reform” (p.25-26), but it generally either punts to future Academic Senate quality control or states vaguely that APB is thinking about them. There is very little acknowledgement of the mechanisms that generate these concerns and that these are in fact the product of specific design decisions included in the BBM itself. It would be helpful if these issues were resolved and then documented as many of

these are areas of faculty concern. If this is not possible, perhaps the document could include a list of the major unresolved issues and the process by which they will be addressed. Moreover, it would be helpful if the document included a section on budget planning and decision making/consultation with faculty related to aspects of the budget (e.g. changes in the tax rates, strategic investments of central funds).

The working group also expressed that the white paper should provide greater clarity regarding what the problem is that the BBM is intended—and able—to solve. The document does describe several problems in various sections (e.g., decrease in funding per student FTE, resources not moving across units with student FTE, expenditures on central administrative units growing too fast, an apparent need to expand opportunities for central investment in strategic priorities). However, it is not always clear whether—or how—these problems can actually be solved by the BBM, or how the existing incremental model might (or might not) address those same issues. For example, one of the critiques of the BBM voiced in the 4/22/21 Humanities letter was that the nontraditional revenue sources identified in the BBM currently exist and are already incentivized in the current budget model.

### **Specific Suggestions and Feedback**

- a. Page 1: "first major budget model innovation since its founding in 1919" ignores abandoned pilot of RCM in the late 1990s (which was quickly withdrawn), as noted in BMWG's first report.
- b. Page 1 "persistent declines in State support" should probably note the 2021 state funding revision?
- c. Page 2: It's unclear if Fig. 1 tuition/fees are also only for state-supported students.
- d. The document states that on Day 1 the units will be held harmless. For how long will the units be held harmless?
- e. Page 3, second paragraph where it reads, "To be clear, annual, inflation-based increases in base tuition and the Student Services Fee will apply to all graduate students under this plan..." it seems like instead of "graduate" it should be "undergraduate".
- f. Page 4: While we agree that it is risky to assume the state would backfill NRST as they have promised, this should note that they have promised that.
- g. Page 4: Will the state cap on NRST shift even more funds to the EVCP and away from units? NRST flows directly to the units, while state funds flow directly to the EVCP, correct?
- h. Page 5: While the university budget models section is already long, it omits several types of models, including all-funds (holistic goals-oriented); Formula (criteria and formula; retrospective); Initiative-based (similar to tax), Planning, Programming and Budgeting Systems (integrated strategic planning, budgeting, and assessment).
- i. Page 6, Figure 3: Labeling the incremental model as the most centralized is confusing, as the white paper argues elsewhere that the center has very little authority or discretionary spending capacity in the current incremental model at UCLA.
- j. Page 10: Why are the x-axis units displayed as 2x the equivalent y-axis units? Page 17: same issue here: make increments on X and Y axis the same to avoid misleading. Do these figures weight graduate enrollment by state formula or treat all degree students as equivalent?
- k. Page 19-20: While it is clear how the "the per-credit-hour value" will be calculated, it is not clear how the 20% will be calculated out of the "total tuition/NRST figure" based on undergraduate major headcount. It appears as if the latter would be converted into SCH-like units by assuming 45 credits per student. Worse, all subsequent calculations would then have to be corrected by a factor (0.8 or 0.2) to account for the 80/20 split. It would make the explanation more straightforward to first split the total revenue into 80% and 20%, to calculate a "per-credit-hour

value” out of the 80% of the total revenue (not of the total) and, by analogy, to calculate a ‘per-undergraduate-major-headcount value’ out of the 20% of the total revenue.

- l. Page 20, Figure 8: Should acknowledge that almost every unit fails to break even without GFS in this formulation.
- m. Page 21 says "The GFS will give the Provost leverage in determining unit budgets beyond the net of activity-based revenues and costs." It would be helpful to provide a discussion of why providing the Provost additional leverage is considered a desirable goal.
- n. Page 21: The document says, "Net of taxes (see the “Taxes” section below for more details), this practice will result in a roughly 10-percent increase in Summer Sessions revenues to Schools/Divisions, relative to the prior year." Is this analysis based on the actual vs. simulated BBM revenues for Summer 2021? That would be very helpful information for making this comparison.

Respectfully submitted,

2021-22 Budget Model Working Group