

### Recent Revisions to the BBM White Paper

On December 3, 2021, the Council on Planning and Budget (CPB) issued a memo summarizing concerns and questions identified by the Council's Budget Model Working Group (BMWG) in response to the November 4, 2021 draft of the Bruin Budget Model (BBM) white paper. In addition, on December 14, 2021, Evelyn Blumenberg, Chair of the CPB, sent a memo to Jody Kreiman, Chair of the Academic Senate, summarizing a few additional comments from the CPB on the white paper. The following proposed revisions are intended to respond to these concerns and questions. Please note that the changes below exclude minor grammatical revisions that have been made since November 4, 2021.

#### Responses to "Specific Suggestions and Feedback" section of December 3 memo (page 3):

- 1) Per item a., the phrase regarding UCLA's "first major budget model innovation" has been replaced with the following on page 1: "This effort represents one of UCLA's most substantial budget model innovations since its founding in 1919."
- 2) Item b. has not been addressed, as the 2021 State funding revision does not negate the white paper's references to "persistent declines in State support." Even with the 2021 State funding revision, UC's State appropriations have not been restored to pre-2007 levels.
- 3) Per item c., the following footnote has been added under Figure 1 (page 2): "Figures 1 and 2 include only State-supported FTE enrollments. Similarly, the tuition/fee figures included in the General Fund totals of these displays exclude those fees paid by students in self-supporting degree programs."
- 4) Per item d., the white paper no longer references the phrase "units will be held harmless." Instead, the report states the following:
  - a. "The BBM's rollout will be guided by the following principle: all subsidiary units will enter the BBM era on July 1, 2022 with the same permanent budgets that they otherwise would have had if the current budget model remained in place on that date" (pg. 19).
  - b. "To be consistent with the principle of leaving units' permanent budgets unchanged on day one of the BBM, there will be a grandfathered amount of ICR funds that will be retained to support central infrastructure" (pg. 22).
- 5) Item e. has not been addressed in the manner recommended, as the sentence in question was meant to focus on graduate students. That parenthetical on page 3 has been modified as follows for additional clarification, however: "For graduate students, by contrast, the approved plan pegs annual increases in base tuition and the Student Services Fee to the rate of inflation as of the first year, and assesses those increases on an across-the-board basis (as opposed to a cohort basis)."
- 6) Item f. has not been addressed because the State has expressed formal, written intent to backfill foregone NRST resulting from nonresident undergraduate reductions in 2022-23, but not for any subsequent years.
- 7) Per item g., a footnote has been added to page 19 stating the following: "As mentioned earlier, the State has expressed intent to fund the first phase of UCLA's nonresident undergraduate reduction in 2022-23. State funding meant to backfill foregone NRST revenue from this mandated reduction will result in increased support for Schools/Divisions, as opposed to

bolstered support for the central fund, since the BBM is designed to ensure that NRST flows directly to Schools/Divisions.”

- 8) Per item h., the sentence stating, “There are five main types of budget models used by institutions of higher education (IHE)...” has been replaced by the following: “This report highlights five types of budget models commonly used by institutions of higher education (IHE)...” The following footnote has also been added to page 5: “These five budget models do not represent an exhaustive list. They are spotlighted in this report because they lend particularly important context to its discussion of centralized vs. decentralized budget models, along with various elements of UCLA’s current budget model and the Bruin Budget Model.”
- 9) Per item i., Figure 3 no longer labels incremental budget models as “centralized,” but rather “more centralized.” A few pages later (on page 9), after the paper explains the three ways in which Schools/Divisions receive General Funds under the current budget model, the following clarifying sentence has been added: “The extent to which General Fund allocations are made, managed, and monitored by UCLA’s EVCP and central budget office speaks to the ‘more centralized’ position of incremental budget models on the spectrum noted in Figure 3.”
- 10) Per item j., Figure 4’s y-axis was modified to extend to 120%, and the scale was changed so that the units shown on the x- and y-axes are the same size. Figure 7’s scale was also changed so that the units on the x- and y-axes are the same size. The following statement was added to Footnote 21: “All noted enrollments are unweighted.”
- 11) APB might benefit from additional context from the CPB about item k. of the memo. Minor revisions regarding the 80/20 split (noted later in this document) can be found on page 20 of the latest white paper. In addition, Appendix 2 has been added to lend more context to the 80/20 split and Figure 8.
- 12) Per item l., Figure 8 was modified to include a second asterisk regarding the need for GFS in addition to activity-based revenue.
- 13) Per item m., the following italicized text was added to page 22: “The GFS will give the Chancellor and Provost leverage in determining unit budgets beyond the net of activity-based revenues and costs. *To be clear, this “leverage” will not represent a deviation from the current model. The Chancellor and Provost already play important roles in UCLA’s annual budget process. Maintaining such leverage under the Bruin Budget Model is desirable for the same reasons that coupling discretionary elements with activity-based or RCM budget models is desirable. In particular, units that have limited capacity to generate additional revenue or increase efficiencies benefit from adequate central support. In addition, sufficient central funding and discretion over its allocation is fundamental to advancing campus-wide priorities.*”
- 14) Per item n., the following sentence on page 22 is clearer than its previous iteration: “Net of taxes (see the “Taxes” section below for more details), this practice will result in increased Summer Sessions revenues to Schools/Divisions relative to the current distribution model (considering the UC student population only).” The following footnote has also been added to that sentence: “Had the BBM been active in summer 2019, academic units would have retained \$1.2 million (8%) more than they did under the current model for their summer revenues derived from UC student participation.”

#### **Responses to other sections of the December 3 memo:**

- UC Health comment on pg. 2 of memo
  - o In response to this comment, footnote #43 was added to page 25: “Given ongoing discussions and UCLA Health’s concurrent redesign of its funds-flow model, it is unlikely that UCLA Health will be fully integrated into the Bruin Budget Model by July 1, 2022.

Certain aspects of UCLA Health, however, such as IT, will be integrated into the new model by day one.”

- Premium recharges comment on pg. 2 of memo
  - o In response to this comment, the following sentence was added to page 25: “These decisions will be finalized by spring 2022.”
- Interdisciplinary work comment on pg. 2 of memo
  - o The paragraph under “Interdisciplinary Work” in the BBM white paper notes that APB has modified the BBM to ensure that it will give credit to home Schools/Divisions when a faculty member teaches in a different School or Division. This is a concrete example of how the BBM has changed to encourage teaching across Schools. The white paper also provides other examples of incentives for doing interdisciplinary work and states that APB is evaluating whether those incentives could similarly be applied under the BBM.
  - o The section has been modified to mention one particular Oversight and Assessment Plan dashboard, as it is relevant to interdisciplinary efforts on campus. In particular, this dashboard shows cross-listed SCH in undergraduate courses, both within Schools and across Schools.
  - o Please see that revised language below (italics show new/moved language), from pages 25 and 26:

### **Interdisciplinary Work**

*Existing permanent and temporary budgets for interdisciplinary units and projects will continue with no impact under the new model. Collaboration across the campus will also remain a priority under the BBM. In fact, per a recommendation issued by UCLA’s Council on Planning and Budget, one dashboard included in the BBM Oversight and Assessment Plan (described in more detail below) tracks student-credit hours (SCH) for undergraduate courses that are cross-listed, both within the same School and across Schools. The percent of total cross-listed undergraduate SCH offered on campus (including those within the same School and across Schools) has trended downward over the past decade, from 5.6 percent in 2011-12 to 4.8 percent in 2019-20 and 4.7 percent in 2020-21. Most of that decline is attributable to a decrease in cross-listed SCH across Schools. This dashboard will track the extent to which this trend changes under the BBM. APB is also interested in expanding dashboard content to measure other interdisciplinary efforts happening on campus.*

The BBM might encourage interdisciplinary work through shared activity-based revenue or new investments from the central fund and/or from the Deans. Other incentives for interdisciplinary work will be a topic for discussion over the next several months. APB is currently collecting internal and external ideas about how the BBM might be modified to better incentivize collaborative work. As an example, based on feedback already provided, APB has modified the BBM to ensure that it will give credit to home Schools/Divisions when a faculty member teaches in a different School or Division. Now, APB is looking into how to best support cross-School enrollments of graduate students. (Revenue from cross-School enrollments of undergraduates will be split proportionately across the associated Schools of instruction.)

**In response to the question asking, “How will this particular hybrid model do a better job of addressing UCLA’s budgetary issues than our current model...?” on page 2 of the December 3 memo, the following statements have been added to the paper for clarity (and put in bold):**

- Page 20: By directly linking enrollment activity to General Fund allocations and by weighting significantly toward teaching activity, the BBM is designed to improve upon the current model by more precisely aligning General Fund revenues with teaching workload and its associated costs.
- Page 22: By increasing the net ICR distributions retained by Schools, the BBM is designed to increase the incentive to grow research activities and to create more local funding for research infrastructure investments (relative to the current model).
- Page 22: By increasing the net summer revenues retained by units and the transparency of summer distributions, the BBM is designed to improve upon the current model by better incentivizing the expansion of summer teaching and enrollment (summer has the most unused capacity of UCLA’s academic quarters).
- Page 24: By keeping the SSGPDP tax low (at 5 percent), the BBM is designed to provide a strong incentive for the development of more SSDPGP programs. These programs have the potential not only to increase UCLA’s reach and impact, but also to diversify funding and create new resources for Schools to invest in all of their academic programs.
- Page 24: By establishing a 5-percent tax on “non-core” funds, the BBM is designed to create a more reliable source of central funding than that of the current model. Reliable central funds are essential to support base budgets for central administrative units and to enable the EVCP to invest in strategic priorities.
- Page 26: By introducing full transparency into budget allocations and central investments, the BBM is designed to enable better and more strategic discussions through the campus budget process.

**In response to the comment asking for “the rationale for critical numbers of the BBM, such as the 80/20 split” on page 2 of the December 3 memo, the following language has been added:**

- **Three-year average unit justification for allocation of undergraduate-level charges**
  - o Page 20: “(A three-year average is intended to smooth out anomalies, as undergraduate enrollments tend to vary from year to year, given differing enrollment growth mandates from the State, and variances in annual yield rates.)”
- **80/20 split justification**
  - o The paper previously stated the following: “(This weighting is designed to ensure that more funding will be allocated to Schools with higher expenditures for undergraduate teaching.)”
  - o This parenthetical has been modified as follows (see page 20): “This weighting structure is designed to ensure that substantially more funding will be allocated to Schools that take on the additional expenditures associated with undergraduate teaching. It also mirrors the weighting structure used by other IHEs. The University of Washington, for example, applies an 80/20 split to its distribution of undergraduate tuition revenue (by student-credit hours taught and by degree major, respectively).”
- **Two-year enrollment average justification for the allocation of graduate-level charges**
  - o The following parenthetical/clarifying text has been added to page 21: “Base tuition and NRST revenue from graduate students will be allocated based on two-year enrollment

averages, as opposed to three-year averages (graduate-level enrollments tend to be more consistent than undergraduate enrollments from year to year)."

- **25% tax justification**

- With regard to the 25% tax, the paper initially had this language: "Under the BBM, Schools/Divisions will be assessed a 25 percent tax on revenue from tuition, indirect cost recovery, and Summer Sessions tuition to fund central services. The resulting tax revenue replaces the amounts taken from these fund sources to support central services under the current model. PDST revenue will not be taxed."
- The text has been modified as follows on page 23 (see italics for changes): Under the BBM, Schools/Divisions will be assessed a 25 percent tax on revenue from tuition, indirect cost recovery, and Summer Sessions tuition to fund central services. *The resulting revenue from this tax, when set at 25 percent, replaces the amounts taken from these fund sources to support central services under the current model. That is to say, whereas the current budget model allocates approximately one-third of General Funds to central administrative units and academic support and research organizations, the BBM will provide that same level of support through a 25 percent tax on various revenues.* PDST revenue will not be taxed.

- **5% tax justification**

- The glide path language about the 5% tax has not been changed.
- The following italics have been added to help contextualize the choice of 5% (see page 24): "This tax, which will apply to expenditures from sales and services funds and to total SSGPDP expenditures (including transfers) net of financial aid, will not exceed 5 percent and will cover the UCOP assessment, various recharges, and campus-good services (mostly CAFs). *Under the current model, SSGPDPs are taxed at a rate lower than 5 percent. The current rate, however, does not fully cover the overhead costs associated with campus support for SSGPDPs. By selecting a 5-percent tax, the BBM raises more central funds relative to the current model and yet avoids substantially deviating from the status quo.*

**With respect to the "Concerns and Areas for Possible Reform" section of the white paper, the following text was added to help link the concerns with various dashboards from the Oversight and Assessment Plan (see page 27):**

- "To help with the process of assessing course difficulty, the Oversight and Assessment Plan includes a dashboard to monitor the 'average median course GPA' across Schools/Divisions, along with the 'DFW rate,' which shows the extent to which students withdraw from their courses or receive the following grades: D+, D, D-, F, NP (not pass), or U (unsatisfied)."
- "To help assess the extent to which undergraduates and graduate students are being taught by ladder faculty, the Oversight and Assessment Plan includes dashboards that track both undergraduate and graduate student-credit hours by instructor status (ladder vs. non-ladder). The Plan also includes a dashboard that tracks which undergraduate courses have a Teaching Assistant (TA)."
- "With respect to monitoring research trends, the Oversight and Assessment Plan includes dashboards that track citations per faculty, UCLA's global research reputation (as measured by rankings), and the number of highly-cited UCLA researchers across 21 broad categories."
- The closing paragraph of the "Concerns and Areas for Possible Reform" section has also been modified as follows:

- “Even as APB delves into the open concerns surrounding the BBM, the BBM’s broader budget system will be characterized by the close monitoring of various trends, including ladder faculty growth relative to enrollment growth. The BBM’s Oversight and Assessment Plan will serve as an important tool for monitoring trends in undergraduate experiences, graduate-level experiences, and research and creative activities. Also integral to this broader budget system will be central discretion to implement and regulate the BBM and allocate flexible resources strategically. Lastly, as mentioned, the BBM will be subject to a comprehensive review every four years alongside its decision-making conventions. These reviews will ensure that trends emerging from the implementation of the BBM are not only tracked, but also harnessed to modify the model if needed.”

**Revisions based on December 14 memo:**

- In response to item #1 about NRST, the following footnote has been added to the “Taxes” section on page 24:
  - *Expenditures on student aid will be excluded from taxable amounts. This exclusion is especially important for departments that fund the NRST for their graduate students. Under the current model, departments do not receive NRST from graduate students, and this has been a constraint to enrolling more nonresidents. Under the BBM, Schools and Divisions will receive the NRST funds for their nonresident graduate students and will not be taxed on the portion that is used for financial aid. This convention should lift a major constraint that departments face today when considering expanding nonresident enrollments.*
- In response to item #2, Jeff Roth has written the following for the CPB (this has not been included in the white paper): *General funds represent approximately 5% of the total budget for the David Geffen School of Medicine and 0% of the budget for the medical center. This is why the level of participation in BBM by UCLA Health needs to follow the completion of the other funding model redesign work occurring in UCLA Health and noted in the paper.*
- In response to item #3, the following text has been added under the “Concerns and Areas for Possible Reform” section of the white paper:

*In addition to the concerns noted above, the following design elements of the BBM tax model are the subject of ongoing conversation and will be resolved by APB by spring 2022:*

- 1) *Central administrative units are still in the process of creating Service Level Agreements describing the services that will be covered by the expenditure tax (and therefore no longer recharged to the campus), along with the services that will remain premium recharges.*
  - 2) *The application of the BBM’s tax model to UCLA Health and UCLA Auxiliaries is still under discussion. (Certain aspects of UCLA Health, however, such as IT, will be integrated into the new model by day one.)*
- In response to item #4, Jeff Roth has written the following for the CPB (not mentioned in the white paper): *The paper is intended for faculty or staff that truly want to engage in the new model. After we complete the next round of engagement, we can also work on a companion summary document for faculty and staff that just want the headlines.*

- Item #5 has been addressed in the latest revision of the white paper, per the “rationale for critical numbers” section above.
- In response to item #6, the following footnote was added to page 20:

*Unweighted student credit hours (SCH) are the primary metric for the allocation of General Funds to support undergraduate teaching under the BBM. The main rationale for this decision is as follows:*

*1) SCH is a direct proxy for enrollment (also used by the State to allocate funding to UC and by UCOP to allocate funding to the campuses). For undergraduate teaching, there is no weighting in the UCOP allocation to campuses.*

*2) Enrollment-based funding helps achieve one of the BBM’s primary objectives, which is to improve upon the current model by better aligning General Fund revenue allocations with teaching workload and costs.*

*3) Early research and consultation about the BBM with various experts and peer institutions was unanimous in not recommending “weights” for different course formats (e.g., small seminars vs. large lecture courses). Instead, the recommendation was to use subvention (or BBM’s General Fund Supplement) to provide additional funding for units that have higher costs associated with teaching. The model allocation loses transparency and simplicity when course formats are weighted differently; it is not possible to develop precise weights in this case; and the material covered in (and preparation required for) a large lecture course can be just as nuanced and complex as that of a small seminar. Since the General Fund Supplement will be set at today’s permanent budget for teaching, all of the existing differentiation will be fully funded under the BBM.*

- In response to item #7, Jeff Roth has written the following: *Good suggestion and we will do so.*

#### **Other revisions of note:**

- Because a change in nonresident enrollment would also yield a new per-credit-hour figure for the BBM (alongside any adjustments to base tuition or NRST), the following revision was made to page 20 (see italics for changes): “...the per-credit-hour value will change only when tuition or NRST rates are modified, *or when nonresident enrollments fluctuate (since all undergraduates pay base tuition, but only nonresidents are assessed NRST).*”
- The original language about why the BBM represents an improvement over the current model on page 18 has been replaced by the following: “By better aligning core operating revenues with expenditures, providing transparent incentives for units to pursue nontraditional revenue growth opportunities, and safeguarding central funds for strategic investment, the Bruin Budget Model, described in more detail below, is designed specifically to help the campus adapt to its modern budgetary challenges.”
- Clarification has been added to page 20 regarding General Funds flow to Schools/Divisions (as opposed to departments): Graduate student tuition/NRST, less the corresponding return-to-aid component (for graduate academic vs. graduate professional students), will be allocated to Schools/Divisions *(as opposed to individual departments)* for each student enrolled in their programs.
- “Author information” and “Acknowledgments” sections have been added at the end of the white paper.