

# UCLA MEMORANDUM

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FACULTY EXECUTIVE COMMITTEE  
*College of Letters and Science*

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**To:** UCLA Academic Senate  
**Fr:** Jeffrey B. Lewis, Chair, College Faculty Executive Committee  
**Date:** February 15, 2022  
**Re:** **Response to Academic Planning and Budget Office: Bruin Budget Model White Paper**

The College Faculty Executive Committee discussed the White Paper and accompanying letters from CPB and CPB's Budget Model Working Group (BMWG). Our discussion touched on many of the same general issues raised by CPB and the BMWG. In particular, while our members were impressed by and appreciative of the careful description of the university's budgetary challenges, current budgeting practices, and the proposed Bruin Budget Model (BBM) given in the White Paper, they noted that there are numerous critical details of implementation that have yet to be fully worked out or justified. This in turn led to the expression of concerns about whether the new model has been sufficiently worked out to be put in place in July 2022.

The White Paper is most effective in its characterization of a broad taxonomy of possible approaches to university budgeting, its presentation of the current fiscal challenges faced by the university, and its description of how the BBM would allocate university funds across units. In these regards, the White Paper is clear. Less clearly articulated is how the various provisions of the BBM will help us address the plainly-stated fiscal challenges. The challenges largely boil down to the reality that future revenue growth from state funds and tuition (including NRST) is expected to be slower in the future than it has been in the past (while growth in the costs associated with operating the university continue to accelerate). In essence, the challenge is that the budgetary pie is simply not growing quickly enough.

On the other hand, while the BBM is designed to create incentives for units to grow new revenue streams, as a budgeting model, it is first and foremost about how funds are allocated. A budget model doesn't create new revenue; therefore, changing budget models cannot overcome the fiscal challenges that we face. What a new budget model can do is help us to adapt to our new budgetary circumstances in ways that are more mission driven, transparent, equitable, and efficient. The White Paper would be more effective if it directly embraced and stated this motivation and reality.

The White Paper comes closest to plainly stating how the BBM is a good fit for our budgetary challenges on page 7 where it states that “[incremental budget] models can also be difficult to implement...when State support is on the decline, enrollment is constrained, and/or tuition is frozen or fixed.” This is because incremental models (like the one we currently employ) rely on growing revenues to fund new initiatives and priorities while uniformly and incrementally increasing the budgets of existing units. However, when overall revenue growth fails to keep up with increases in costs, this incremental approach offers only across-the-board cuts as a solution. This is the point: APB expects retrenchment. The question is what is the best way to budget in a world in which it is reductions of budgets or budgetary growth that must be allocated. The need to make allocation priorities transparent and to increase local autonomy to deploy resources in ways that are most efficient for particular local circumstances when resources are scarce is the central (but often implicit) argument that links the budgetary realities set forth with the need for the proposed model in the White Paper.

The White Paper could have done more to note that the practices and outcomes under the BBM should not be compared to the outcomes and practices that we have experienced over the last 25 or 50 years. Rather, they must be compared to the outcomes and practices that we should expect in the future if the current budgeting model continues to be deployed in our new more challenging fiscal environment. The White Paper would be more effective if it painted a clearer picture of what the “do nothing” alternative to the BBM would look like.

In places, the White Paper appears to wish to explore whether the current incremental budget model has led to suboptimal allocations of university resources. Here it is generally less compelling because it does not set forth the criteria by which such optimality can be seriously assessed. On pages 9 through 12, the White Paper shows that patterns of growth in enrollment and funding between AY04-05 and AY19-20 across units bear little relation to one another (Figures 4 and 5) and that GF expenditures per student have become increasingly disparate across units over time. This discussion is presented in a way that might lead the reader to conclude that the fact that some units had gains in funding that outstripped their gains in enrollment (relative to others) means that those units had been better served by the current budget model than those units whose funding growth had not been “disproportionate” to their enrollment growth. However, this conclusion does not directly follow from the evidence.

As noted in many places throughout the White Paper, determining the appropriate allocation of funding for a given level of enrollment is a subtle and multidimensional problem. Any conclusion about whether any particular unit is closer or further from its optimal allocation of funds cannot be drawn by looking at whether a unit’s growth in funding kept up with its growth in enrollment. That would only be true if the funding allocations had been optimal in AY04-05 and if optimal funding levels over time have remained proportional to enrollments. Perhaps, units seeing “disproportionate” growth in funding (relative to enrollment) since AY04-05 are simply those that were underfunded in AY04-05 and those units whose growth in funding has lagged behind their growth in enrollment are those that had greater untapped enrollment potential (i.e., were over-resourced relative to their enrollments) in AY04-05. Similarly, it could be that variation across units in the cost of mounting programs (on a per student basis) has increased over time so that observing an increase in the interquartile range of spending per student across units over time is not a demonstration of the ineffectiveness of the current budgeting system, but simply a

reflection of changes in broader circumstances. In order to say that the current system has failed us as a mechanism for allocating funds and for adapting to change, some sense of what an optimal allocation would be must be provided. In short, the change data presented does not allow the reader to make a serious assessment of who the winners and losers of the old system have been or even to determine the degree to which there have been winners and losers.

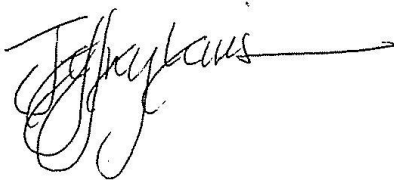
One thing that Figure 4 does show is that while the old budget model is described as incremental, in fact, there have been large differences in funding growth across units over time. Whereas incremental budgeting is described in the White Paper as increasing every unit's budget by a similar percentage each year, we see that some units' budgets have increased in real terms by 40 percent or more and that one unit's budget has actually doubled while at the same time two other units' budgets have declined. Little attention and no explanation of this pattern of non-incremental budgeting manifest over the last 15 years is offered in the White Paper.

The challenge of determining whether the current budgeting model has brought us to a point at which the allocation of funds is close to optimal is not only central to determining how well the current model has served us, but fundamental to a key principle of the BBM set forth in the White Paper. That key principle is that the jumping off point for the new model will be the current allocation and that activity-based adjustments will be made to a large extent relative to that status quo. This will advantage units that are currently bloated relative to those whose operations are already lean. This is of particular concern to the College which has already made great strides to provide an enormous number of SCHs very efficiently. We should not be penalized in future fund allocations by being pegged to a baseline "General Fund Supplement" that does not take into account the efforts that the College has already made to educate the greatest possible number of students on the smallest possible research and administrative footprint.

A final broad area of concern relates to the proposed funding of faculty salaries. Under the BBM, the funding of faculty merit increases would come from "annual growth in [a unit's] General Fund Supplement and activity based revenue" (p. 25). Given the anticipated slowdown in university revenue growth and the quickly increasing university wage bill described elsewhere in the White Paper, it would appear likely that some if not all units will need have to slow the rate of merit salary growth relative to what it has been in the past. As is well documented, there already exist substantial salary disparities across units. Basing merit pools (even in part) on activity-based revenues seems likely to further increase this salary divergence across units over time. Thus, while funding for new and replacement lines based on changes in activity makes sense (as more students study computer science, we need to hire more computer scientists) setting the salaries of those currently on the faculty on this basis makes less sense. More generally, because existing faculty cannot be redeployed to different units or areas of study as student demand and institutional priorities shift and because faculty salaries comprise a large share of unit expenditures, one wonders if averaging activity-based funding allocations over only 2 or 3 years makes sense. When we hire a ladder faculty member, we are committed to employ her for as many as 40 years or even more and perhaps to 15 or 20 years of employment on average. If units are meant to cover the cost of such commitments based in part on activity perhaps some of those funding allocations should be based on the activity levels averaged over as many as 15 or 20 years.

In conclusion, we thank the APB for its efforts to engineer a better budget model, for the time they have taken to work with faculty and other stakeholders to improve the proposal, and for the lengths that they have gone to help the entire university community to understand the new model and the complex considerations involved in budgeting for an organization as complex as UCLA. It is hard to think of any proposed change in administrative process for which so much faculty and broader community engagement has been sought and where so much feedback has been heeded. Nevertheless, we must note that there are still important areas where additional improvement and clarification are needed if the new model is to succeed. Regardless of when or what changes are ultimately made to the university's budgeting practices, we hope very much to continue to work closely with APB to align budgeting practices with the university's mission and priorities in the face of a challenging and uncertain fiscal future.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Klaus", followed by a long horizontal line extending to the right.

Chair, College Faculty Executive Committee