

Administrative Growth at UC Davis

Presented by:

The Administrative Growth Task Force of the
Davis Division of the Academic Senate

Friday, June 6, 2008
Davis Division Representative Assembly Meeting

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EXECUTIVE SUMMARY

The Task Force on Administrative Growth (Task Force) was created by the Davis Division of the Academic Senate to examine the claims of administrative “bloat” at the University of California (UC) made publicly in the press and elsewhere including comparison of administrative growth to that of the core instructional missions of the UC Davis campus. The Task Force was also formed to address Regents Chair Blum’s challenge to UC to become more “strategically dynamic.” We concur that UC can operate more efficiently, more cost effectively, more responsibly, and with heightened accountability. With these goals in mind, the Task Force endeavored to review UC Davis’ current core operating practices and philosophies with the aim of identifying the factor(s) causing dramatic administrative growth and offer suggestions for improving efficiency and effectiveness. Our findings and recommendations, while true of UC Davis, are not exclusive to the campus. Indeed many are endemic to higher education as a whole or more broadly to governmental institutions. We offer our recommendations in the spirit of shared governance and our common goal to maintain UC Davis as a premier institution of higher education in the face of shrinking budgets and increasing demands for services and accessibility.

The Task Force has eleven recommendations. The first six concern administrative efficiency and accountability. We suggest a thorough review and audit of expenditures and budgetary practices, the establishment of an administrative unit accountability review process, an analysis of the high cost of doing business at UC Davis with the goal of reducing such costs, and more specifically, the elimination of duplication of effort across administrative units, a fiscal analysis of decentralization versus centralization of support functions including development of principles for cost effective delivery of services, and finally development of more astute and cost effective mechanisms to handle the virtual explosion of compliance requirements that have beset the campus and higher education in general. We fully realize that many policies, practices and philosophies identified need critical review. Some suggestions may seem to call for radical restructuring in a complex organization. Some of the requests impact the entire system rather than just the UC Davis campus. However, we believe the UC Davis campus can play a leadership role in addressing these core issues. Recommendations seven through nine request a special review and reorganization of three critical units: Human Resources, Informational and Educational Technology and the Office of Research. Recommendations ten and eleven discuss development of a new business model for higher education and an outright ban on unfunded mandates. We concur that the leading factor contributing to the high cost of doing business at UC Davis is unfunded mandates.

The Master Plan for Higher Education in California appears to be being abandoned by those entities once deeply committed to its inception and support. The Master Plan was enacted in 1960 and created a vision of the three tier higher education system that has served the citizens of California well. It has been emulated in other states and countries. It was crafted by visionary leaders who understood the benefits of an educated population to the fiscal and societal health of the state. It was endorsed by a society that likewise understood the value of investment in the skills and talents of its citizenry. However times have changed and in many sectors of society self-gain and the immediacy of a return on financial expenditures are paramount and investment in the public good simply not a priority. The long term nature of the return

on investment in education has falsely diminished its value in the modern world. The immediacy of information available on the web, regardless of its accuracy, has led to the belief that centers of learning and knowledge are no longer vital. There is a strong awareness among the faculty that the current University business model is not sustainable given these circumstances. Salaries are not competitive and most students cannot afford to cover the cost of operating the institution through fees and costs for services. While higher education and the Master Plan have many and varied supporters, it is unlikely the current model of a public university will be sustained. All three tiers of higher education face the same issues of declining budgets and inability to deliver on the promise of the Master Plan. Rather than privatize by default, we recommend that the three tiers of higher education collaborate to develop a new vision of higher education that preserves public access and the creative and academic integrity of our current institutions.

FINDINGS AND RECOMMENDATIONS

The Davis Division fully supports the efforts of the Office of the President and the Board of Regents to restructure with the twin goals of a more efficient coordination of the ten campus system and more cost effective provision of essential services, and agrees that similar principles should apply to all campus administrative units. Administrative budgets have grown more rapidly than those for instruction. This is not unique to UC Davis nor is it unique to UC as a whole. Statistics indicate that this is a national trend¹. The more rapid growth of administration at UC has been largely characterized as a faster growth rate in administrative positions and budgets as compared to the campuses as a whole or to instructional expenditures². At UC Davis, the budget and most payroll titles grow in concert with the increase in numbers of enrolled students (Table 1), but growth of some administrative payroll titles outpaces the increase in enrollment. Administrative growth has been charted by following the increases in the Management and Senior Professional (MSP) payroll category as this category is largely exclusive to administrative units and functions. Over the past ten years this category has grown by 88% at UC Davis, compared to a growth rate of about 29% for the other categories, a three-fold difference in rate (Table 1).

To assess the reasons for the growth rate of administrative budgets, the Task Force requested an accounting of the increase in both budgets and personnel for each of the administrative units as well as for each school and college over the past ten years. In addition, a subcommittee of the Task Force met with the chairs of departments and programs for academic units. Our concerns centered on the provision of instructional support to departments and their ability to deliver their curriculum, although chairs were encouraged to raise any issue of importance. Extensive budgeting information was provided to the Task Force, which was, in turn, sent to the Davis Division Committee on Planning and Budget for a detailed analysis. We want to thank Interim Provost Barbara Horwitz, Associate Vice Chancellors Kelly Ratliff and Karen Hull and Human Resources staff Irene Horgan-Thompson and Gloria Alvarado for their candor and openness in providing both budget and staffing information to the Davis Division of the Academic Senate for the general campus and Medical School, and for their helpful discussions. We also thank the Department Chairs who met with the Task Force subcommittee for their frankness and astute insights on campus administrative efficiency and effectiveness. The Task Force also wishes to acknowledge the efforts and continuing role of the Davis Division Committee on Planning and Budget in the detailed analysis of the budgetary data and of campus expenditure information.

Administrative Growth: Analysis of administrative growth confirms a faster growth rate as compared to the campus as a whole. The reasons for this are varied and detailed below. In general, the growth in the MSP category at UC Davis has been driven by two major forces. On the general campus, the need to offer competitive salaries for some payroll titles has resulted in reclassification of positions into the MSP program. This is often done simply to be able to offer a salary commensurate with the market-based

¹ Draft UCPB report, 2003, "Administrative Accountability in the UC System," Appendix A

² https://webfiles.berkeley.edu/~schwartz/Part_14.html

equivalent for that position. Adjustment of salary ranges for existing payroll titles is apparently more difficult than upwards reclassification of position titles. Therefore, a significant portion of the growth in the MSP program at UC Davis is due to reclassification of existing positions, not the creation of net new positions. However, there is not a corresponding decrease in the number of Professional and Support Staff (PSS) positions that would be expected following reclassification of a position to a different personnel program. We are concerned that the reclassification to a higher payroll category requires a managerial component of the position. The managerial component necessitates the assumption of new supervisory or managerial roles for the position to be reclassified. This increased managerial responsibility may be accompanied by an increase in administrative unit budgets for subordinate personnel or the restructuring of reporting lines to justify a managerial component. Indeed, many department chairs complained of a greater level of department personnel micromanagement by positions advanced to the MSP program within the college or school administration. Such micromanagement is a needless burden on department operations and leads to confusion as to who is really supervising an individual employee. Additional layers of reporting structures should only be implemented when there are clear programmatic or policy efficiency or effectiveness to be gained. The ability to validate competitive salaries does not traditionally meet the criteria for increased efficiency or effectiveness.

The second factor that has led to an increase in the number of MSP employees at UC Davis is the use of this payroll title to hire staff physicians in the Medical School. This appears to be a convenient mechanism to bring staff physicians in quickly and at the appropriate salary level rather than to undertake the more extensive paperwork required for a clinical appointment or to create another appropriate clinical title. However, this process leads not only to artificial inflation of MSP employee numbers; the practice inflates total employees at the very high end of the MSP series and salary scale. The inclusion of staff physicians in publicly released reports reflecting aggregate UC employment data needlessly contributed to concerns of a bloated administration. In the interest of transparency, a separate payroll title should be created for these individuals. Medical School faculty raised numerous other concerns about the proliferation of the Medical School administration and costs of its operation. Some of this may be accounted for by increased demands for compliance, but the general sense seemed to be that much of the increase was due to other factors. A thorough review of the Medical School operation is beyond the scope or ability of the Task Force, but we recommend that such a review occur. Many of the recommendations discussed below also apply to the Medical School.

Reviewing UC Davis MSP positions reveals some interesting trends. In administrative and service units the increase in MSPs ranges from no change (Library) to a greater than 400% increase (Office of Research). The increase in the MSP category at the school, college and division levels ranges from no change (Math and Physical Sciences) to a 700% increase (Humanities Arts and Cultural Studies (HArCS)). The base level of MSP positions in HArCS was quite low initially compared to the other two divisions within Letters and Sciences, so the increase in HArCS has served to equalize the numbers of managerial personnel across the Letters and Sciences Divisions. Of note is the over 500% increase in the MSP positions in the College of Agricultural and Environmental Sciences (CAES) over the last ten years, which appears to be most dramatic over the past five years. During this time, the total number in academic titles decreased (1% overall since 1999, 28% since 2004) and the growth in the PSS staff category was significantly lower (26% increase). The only other unit showing a significant decrease in academic payroll titles is the School of Veterinary Medicine (19% decrease since 2004). In this case there was only a marginal increase in the MSP category (9%) with more dramatic growth of staff titles (34.5%). The ratio of academic (ACA) titles to MSP titles ranges from 41.5 (College of Engineering) and 42.2 (CAES) to

110 (Division of Social Sciences) for the undergraduate colleges. The ratios are much lower at the professional schools (generally an ACA/MSP ratio of less than 10). Growth in academic titles ranged from the decrease of 19% to an increase of 86% (School of Education), with a median increase of 30%. The largest growth in academic title positions occurred for an administrative unit, 230% for Student Affairs. We are told the Student Affairs growth is to augment the deficit of time faculty devote to student interaction.

Discussions with Department/Program Chairs: The Academic Senate has authority over the curriculum, yet does not control any of the financial resources to deliver said curriculum. The campus has faced several rounds of cuts and augmentations to the State component of the budget over the past two decades. The cuts have tended to be across the board while the augmentations have been targeted. Therefore, the Task Force decided it was imperative to meet with department chairs for a discussion of the impact of recent budgetary trends on their ability to deliver their curriculum and to meet the needs of their students. In addition, given our initial charge of analyzing administrative growth and efficiency, department chairs were also asked to opine on this issue as well. The Task Force met with the department and program chairs or their representatives for all campus units. Departments reported fairly static budgets over the last ten years with the exception of cost of living increases for staff and merits and promotions for faculty. Many are now dependent upon other funds, such as the indirect cost recovery from grants, recharges for services, and special lab fees, to cover departmental operating budgets. Departments have cut teaching expenditures only as a last resort, after elimination of other discretionary activities. They have increased delivery efficiency, redesigned curricula that were costly, obtained other revenue streams to support teaching, and invested resources to embrace more cost effective technologies. Chairs were unanimous in the view that further cuts to instructional budgets would drastically impair the quality of educational programs and student services. Several chairs were concerned that research infrastructure costs, previously covered by indirect costs on grants or departmental research allocations, were no longer being covered and the amount of indirect cost recovery being returned to the departments is insufficient to restore cuts to departmental budgets to research infrastructure. Since these activities are expected to be covered by the existing indirect costs allowed for the campus, it is not possible for faculty to place these costs as direct costs on grants. Several reported having tried to do so only to have the costs removed from the grant budget either by the Office of Research or by the granting agency upon award of the grant. There was sharp criticism of the use of indirect costs to launch new research initiatives and ORUs (Organized Research Unit) when the research infrastructure costs to the units generating indirect cost recovery funds, were no longer being fully reimbursed.

Faculty in general communicated that UC Davis' cost of doing business is unacceptably high, especially if it is indeed true that faculty are not able to be covered by the negotiated overhead in combination with state funds targeted to research. Given grant agency officials establish allowable overhead rates based on nation-wide experience in what is realistic, the fact we cannot cover our costs with the overhead rate suggests that our costs are indeed excessive, or that the agency's expectation for the State's share of research costs is no longer being met. In any event, there was consensus that this cannot continue. The actual cost of research infrastructure needs to be determined on a campus-wide basis with the aim of a thorough accounting of how indirect costs are apportioned to recover sufficient funding of associated expense. Some departments are making up the difference by seeking private gifts and donations to support the infrastructure costs to run their research activities. Departments find themselves in a situation where neither the administration nor state and federal granting agencies will support research infrastructure costs and mandated compliance and accountability.

A frequently cited example of high business cost was the UC Davis campus telephone service. More than one chair reported being asked by college administrators to justify their phone bills in spite of the fact that the department is completely at the mercy of the UC Davis telecommunication recharge rates and UC and UC Davis recharge policy. They agree that campus telephone costs are not competitive but are not in a position to negotiate for lower rates. In an effort to reduce costs, chairs have considered and some implemented, cost reducing strategies such as the elimination of individual land line phones for faculty expecting faculty instead to use their personal cell phones. Some departments have contracted for cell phone service to conduct departmental business, although this practice seems in conflict with current tax law. Others have eliminated use of campus long distance service entirely; instead providing faculty with phone cards in order to fund departmental long distance calls. However, all involved recognize that there is a fundamental problem when the cost of centralized communication services when the total cost dramatically exceeds the cost of the service when purchased from a private sector provider. The administration should be developing a cost-effective means to deliver communication services rather than continuing to charge prices that are impossible for some campus departments to manage.

Virtually all departments report redirection of staff support for departmental and academic activity in order to support administrative workload and activities now directed for completion by departmental staff. The most alarming trend is the increase in departments that now ask faculty to pick up some of that same administrative workload because departmental staff are completely overburdened or are too few in number to provide the required separation of duties. Simply put this is a waste of faculty time and resources. We were struck by the incongruity of requiring more and more faculty time to be spent on administrative workload and compliance at the expense of non-instructional time available for informal student interaction at the same time staffing support via Student Affairs is dramatically increasing in order to cover the deficit in available faculty time for interaction with students. Virtually all studies of student performance and satisfaction with attaining educational goals cite the importance of direct and informal interaction with faculty. The transfer of administrative workload to the faculty with the associated transfer of advising to the administration is not in the best interest of the students.

Formerly departmental budgeting was done largely by formula with specific passdowns to the departments based largely upon instructional loads, with some flexibility based on the actual costs of instruction of different units. In the 1990's the Legislature ended the practice of listing I&R (Instruction & Research) expenditures as a line item and the University of California Office of the President in turn socialized state funding as a block grant to each campus³. The same practice of a block grant allocation to Deans was instituted on the UCD campus. Funds that used to be specifically targeted for explicit purposes were socialized ostensibly to provide units with enhanced flexibility. As a consequence departmental support, particularly for teaching assistant (TA) positions, now varies dramatically across the campus. There are also dramatic differences with respect to what was protected in budgets during periods of retrenchment. For example, some colleges preserved college-wide information technology support while others adopted an 'every department for themselves' model to eliminate department specific information technology support. This has led to great disparities in a department's ability to comply with imposed cyber security mandates or to develop on-line mechanisms of instruction and review. Some chairs report that while they had been told that college budgets had received an augmentation to address specific instructional needs, such as those associated with a high enrollment year, the augmentation never reached

³ Draft UCPB report, 2003, "Administrative Accountability in the UC System," Appendix A

the department budgets and they were expected to absorb the cost of increased enrollments in their programs as an unfunded mandate. The chairs expressed a strong frustration with this budgeting mechanism. This socialized nature of the budgets both obscures and ignores the true costs of departmental operations and delivery of the curriculum.

SPECIFIC RECOMMENDATIONS:

1. Thorough Audit of Expenditures and Budgetary Practices: The complexity of the University's budget in combination with archaic, inflexible and fiscally inefficient practices is of strong concern to the Davis Division of the Academic Senate. We are loathe to suggest that outside consultants be employed to examine every unit for efficiency and effectiveness in this era of reduced budgets, but are concerned that internal efforts to do so in the past have failed. A thorough, objective and critical review of all policies and procedures is necessary to identify those that may have been important historically but that are no longer useful as well as a detailed cost/benefit analysis to identify those that are fiscally and operationally inefficient. This should cover all aspects of UC and UC Davis expenditures, including sponsored research. In short, the University budget is in need of a complete examination and overhaul. In particular, we were impressed by the amount of review and commentary already provided to the administration by the departmental MSOs through the UC Davis Administrative Management Group (ADMAN) that seems to have been largely disregarded. We suspect this is because implementation of many of their suggestions necessitates a change of UC, not UC Davis, policy. We find their comments and suggestions to be appropriate, on target, and worthy of serious consideration. We are dismayed that the common response to MSOs who have raised these issues is a simple "work smarter." This is not a solution nor even a constructive suggestion; this is an abdication of managerial responsibility. We hope that engagement of an outside firm or objective specialists may carry more weight than these internal efforts to identify inefficient or ineffective policy, procedure or process. The advice of someone from outside the campus will hopefully receive more attention, particularly with the central administration since many of these policies are UC. Such a review was conducted at University of California, Santa Cruz (UCSC) and was the basis of the draft report from the Universitywide Committee on Planning and Budget (Appendix A). Many of the issues identified in the report are true of UC Davis as well as UCSC, and are in fact common to the UC system and to higher education as a whole.

Self-reviews conducted by administrative units have done little more than affirm existing practices, policies and expenses. The base-increment budgeting model used by UC Davis incentivizes the status quo and the cyclical practice of budget augmentation followed by across the board cuts rewards inefficiency. The Task Force also strongly recommends that the actual cost of research activities be clearly delineated as well as the resources available to cover those costs. Defining the magnitude of the problem; i.e.; funding research infrastructure, is a necessary first step before any other measures, such as charging faculty academic year salaries to grants, is undertaken.

The campus should be considered as one fiscal entity, not as separate fiefdoms that are monetarily independent and competitive with each other. The Davis Division of the Academic Senate views the current budget model as a series of independent silos that severely handicaps developing an understanding of the true costs of unit operations. Current budgeting practices seem to focus on local economies rather than global efficiencies and are rarely considerate of the ultimate and true cost of an operation or activity. A pass-along of workload or other costs from one 'silo' over which one has direct authority to a different

‘silo’ over which one has no authority may save the first unit both staff and budgetary resources but overall dramatically increase the cost of the operation to the UC Davis campus as a whole.. For example, some pass-along’s to the departments of workload for information input into campus databases requires significant training of individuals (approximately 80 hours per individual, with a minimum of 3 individuals to be trained) who will only occasionally be involved in using that software system, will likely result in a continuing need for refresher training with the departments never able to recoup the training investment. Having a core centralized group of trained individuals highly familiar with a system inputting data is generally more cost effective than dispersing that workload over a wider group of employees who never develop the necessary depth of experience for cost efficient performance. This view is supported by the review of administrative efficiency at UCSC, as reported in the UCPB draft report on administrative accountability. Table 2 taken from that report clearly demonstrates the efficiencies of specialists or core service units in reducing the costs per action. It is important that the full campus-wide, not merely local impact and cost, of implementation of workload intensive policies and practices must be thoroughly vetted and understood before decentralization of an activity. The recent UC Davis trend to disregard feedback to pause implementation efforts when the process or program is not operationally sound or efficient for campus departments must cease immediately. The administration has a responsibility to seek the feedback of all impacted units, weigh the feedback and provide a public/published cost/benefit analysis for proceeding or retrenching.

Now that we have experience with both types of budgeting processes, the pass-through model based on average instructional workload costs and the full socialization with autonomous discretion at the Deans level model, the Davis Division of the Academic Senate prefers a mechanism by which the true academic costs of instruction and operation are covered first before funds may be expended on other activities. We also argue that a similar approach should be taken to staff and faculty workload – the academic mission workload should be the first priority. We agree that the former model that awarded an average instructional cost for each student was too simplistic and penalizes those areas, such as the arts and the sciences, where instructional costs per student are higher than the average and rewards those in which the instructional costs are lower than the average. This average allocation model likewise does not allow detection of inefficiencies. Indeed, department chairs suggested that if such a review were to occur, the departments would be able to compare cost effectiveness among themselves and define a set of best practices allowing even more cost-effective delivery of resources and courses to students. However, each department should be guaranteed the funding necessary to operate and to offer their curriculum. Similarly, we endorse a budgeting model that covers the research infrastructure costs for those units generating research funding before those dollars are socialized and expended for other allowed discretionary activities. The departments are the instruction and research foundation of UC Davis and UC through providing service to students and in the obtaining research grants, gifts and contracts. We argue that the departments also are major UC revenue generators for the same reasons. Current campus budgeting philosophy appears to ignore this fact and holds instead that departments are net revenue consumers. We urge a complete rethinking of this current campus budgeting and operating philosophy.

2. Establishment of a Regular Administrative Unit Accountability Review: The Task Force concurs with the recommendation in UCPB draft report of 2003 (Appendix A) that calls for a regular review mechanism for administrative accountability. Implementation of a such a review at UC Davis must hold administrative units and departments accountable not only for how funds are allocated and expended, but also for the efficiency and cost effectiveness by which services are delivered to the campus, and to justify the level of expenditures allocated to the core missions of instruction and research. The campus engages

in extensive review in many areas but not in financial accountability. An accounting of expenditures currently is conducted only if some problem has arisen. We suggest institution of such a review with a focus on making sure core instructional needs are a priority. Department chairs also raised the issue of a departmental fiscal and operational review so that best practices may be shared among departments. Chairs felt that they did not receive sufficient practical training to manage the fiscal aspects of their departments in an effective manner.

3. Fiscal Analysis of the Efficiency of Decentralized versus Centralized Functions: In the past decade a significant restructuring of the administrative workload and accountability has occurred. In many cases these decisions have resulted in a significant net increase in workload for the campus. The impact of these changes has not been critically reviewed, nor were cost/benefit analyses done before their implementation. Some decentralized efforts have created a false economy as the actual cost of the activity has been dramatically increased by decentralization. For others, the opposite is the case with costs increasing with centralization. The cost per action becomes difficult to determine when the actions are spread over a large group of individuals and budgets are viewed as silos. Transfer of data entry to the department level without accompanying support for staff has created a crisis in many departments, and is being shouldered by faculty in some units. In others the faculty no longer have support other than teaching assistants and readers for their courses and no support for research activities. Many of the staff cover multiple areas so cannot be dedicated to one administrative activity. This means that expertise does not develop and constant retraining is required; the departments accrue no benefit from the cost of training. Many units reported that the demand for training was so great that the administrative units mandating use of the program no longer provide training and direct staff to other departments for training. The peer training process adds to the workload burden of departments. Many faculty and chairs have found it necessary to be trained in these systems in order to provide the local departmental training of staff.

In contrast, in other cases centralization of the activity has decreased the overall efficiency of the process and therefore increased the cost. This is best exemplified by the new “MyTravel” system. Department chairs were unanimous in their dislike of this program, and its inefficient design. Many said this was now a significant component of their daily workload, taking time away from more important department matters. Formerly, the department chair reviewed all of the expenses and associated documentation after the trip and at one time. This is particularly problematic for chairs of large departments where travel in support of research activities is common. Faculty also reported a dramatic increase in the time now required to process travel reimbursements and the cumbersome nature of needing to fax materials that were needed to process requests and to create the finalized statement. This is a classic example of a highly localized benefit to one unit at great expense to the rest of the campus. Users of MyTravel were recently sent a memo telling them that sufficient explanation needed to be provided for each absence so that someone outside of their area of expertise could fully understand the reason for the travel, and were cautioned to not use acronyms for agencies or societies that were unknown to the administration. The departments themselves are in the best position to both understand the need for and approve travel. It is costly to need to justify travel to individuals who do not understand the nature of research nor the need to travel in support of research activities. This same memo also informed travelers that in spite of the significant cost savings in booking travel via internet vendors, travel must be booked via more traditional providers so that the appropriate type of receipt could be obtained. This policy drives up costs dramatically for travel as the bundled packages offered by internet vendors are frequently half the cost of traditional vendors. Again, the department is in the best position to understand the nature of the travel and the request for travel support. Institution of a fiscal accountability review should provide sufficient

oversight of departmental activities and approval rather than create a cumbersome approval process for each action or transaction.

Many chairs also questioned the value of the decentralization of development units. Faculty were unclear as to the role and benefit of the dramatic increase in development officers and budgets. The consensus among chairs is that the development operations focus on hospitality and are reactive, not proactive, in interactions with donors. Many also reported the unhappiness of donors at being charged a tax on their gift to support development efforts, when those efforts were invisible. The greater need in the departments is proactive development and the assistance in the creation and management of alumni databases, outreach mechanisms and strategies for developing donor relationships and fund raising strategies based on actual experience, with clear expectations for job performance not idealized norms. In general there was strong agreement that our development operations and policies are in need of a critical review on a regular basis with clearly defined measures of effectiveness established. It was felt this could be easily done by cost/benefit comparisons of development efforts across campuses and institutions. Chairs felt that the decentralization of development leads to duplication of effort and is less fiscally efficient than centralized services.

Some core guiding principles need to be developed for the determination of the most cost-effective positioning of activities. In general, the greater the familiarity with a process the more rapidly it can be completed. This argues for centralization of complex data entry activities that require extensive training on software programs and focusing of staff on those activities. Secondly, activities requiring local background knowledge such as approval of travel arrangement and expense are more efficient the closer they are to that knowledge and expertise. Third systems requiring a higher skill set than those of the employees charged with their use should not be deployed unless the full cost of training is borne by the originating unit. Abandoning of training of end users by the originating unit should be a red flag that triggers an immediate review of the process and workload allocation and a return to previous practices if they are more cost effective. Since under current practice these costs are not borne by the originating unit, the originating unit has no concern for what those costs might be. Therefore a full cost/benefit analysis should be required for each and every change in workload that crosses units.

4. More Astute Management of the Explosion of Compliance Requirements: The Davis Division of the Academic Senate strongly supports efforts to require accountability of faculty, staff and students as well as of administrators. However, in the recent past there has been a dramatic increase in workload under the guise of compliance with various regulations and campus policies, often as unfunded mandates. The purpose and intent of some of these mandates is obscure and many appear to result from a single incident or accident. Further, faculty report that many times a policy implemented at UC Davis in response to a state mandate is not interpreted the same way on other campuses and the investment in staff and faculty time is not nearly as great as it is when implemented by UC Davis. Such compliance is costly and our sister campuses appear to be meeting these requirements through implementation via more cost-effective and efficient methods. The campus needs to review all existing compliance policies to determine what practices are actually required for compliance versus the UC Davis interpretation of the policy compliance, in order to compare and confirm that the extra cost and effort employed at UC Davis is cost effective and clearly warranted. Such examinations should be made available to the campus community in order to promote transparency and broad understanding of implementation strategy. It was generally agreed the campus is risk-averse, requiring extensive routine documentation so that it is readily available should there be a request for such information. Breaches of University policy should be vigorously

pursued and the responsible parties disciplined, and policies rewritten if they are open to interpretation rather than implementing costly new reporting or oversight structures. Department chairs reported a significant increase in administrative requests for information from departmental staff. Often these requests were perceived as solely serving for the edification of the administrator or unit seeking the information rather than meeting a true compliance or regulatory need. The questioning of purchases for research activities and the need and purpose of travel were two oft-cited areas of inquisition that needlessly occupy valuable staff time. Of greater concern is the shift of approval authority to individuals that lack the breadth and depth of understanding of our research and instructional missions to be in a position to adequately review requests or expenditures. We appreciate the need for such review for compliance issues but believe UC Davis has developed inefficient mechanisms of meeting those compliance requirements.

5. Elimination of Administrative Duplication of Effort: Many departments reported needless duplication of effort among administrative units. For example, the CAES Dean's Office employs an HR unit, the value of which was not apparent to the CAES Chairs. Many felt this was a clear duplication of the function of the campus HR unit, and were often in the position of trying to get the two units to agree on campus policy. While we understand that frustration with HR policies might lead a local unit to develop their own expertise, this duplication of effort must be questioned, particularly as difficult budget cutting decisions are reviewed and implemented. Other units reported Dean's office involvement in hiring, purchasing, utilities use and other areas where other administrative units are charged with responsibility for these activities. As with the phone service costs described above, departments are not in a position to negotiate with one administrative unit the concerns of another. The Davis Division would like to see a fiscal accountability review process created and implemented for all units so that these types of duplications and inefficiencies can be addressed. It is also important to have a mechanism whereby units dependent upon the services of another unit can raise concerns about the efficiency and effectiveness of that unit without needed to develop a "shadow unit" to meet workload demands.

6. Address the High Cost of Doing Business on Campus: A recurring theme on campus was concerns expressed over the high cost of doing business on campus. A high cost of business can be defined as costs in excess over those in the private sector for the same activity. Some costs may be driven up by compliance or regulatory issues, and other unfunded mandates, but others were perceived as being high because of inefficiency in service delivery to campus units. The cost of phones, information technology services, and Mediaworks recharges, were named as being non-competitive. However the major complaint concerned facilities recharges and the astronomical cost of remodels and building maintenance. The operation of this unit needs a thorough outside review. Many feel recharge rates are based upon what one "can" charge rather than on the "actual costs of doing business," so that other activities can be subsidized by the revenue stream. There were numerous suggestions for improvement of the functioning of this area with a goal of cost efficiency and to eliminate wasteful and time consuming planning processes that seem to all start from a blank page. Also, there are problems associated with who has final decision authority for projects, particularly remodel projects. Faculty reported that too often they were held accountable for mistakes on blueprints, which they do not have the expertise to evaluate, but were not consulted when costs forced changes to the project that dramatically impacted functionality to the point that the space would be far less useful and therefore not worth the remodel cost. Faculty reported that the same mistakes on projects were made over and over and that there seemed to be no accumulation of knowledge to institute process improvements to prevent recurring costly mistakes.

7. Review of Human Resources: The University's current employment practices and policies are in need of a complete overhaul. Many date to the fifties, and are no longer relevant employee management models. Worth, meaning salary, is still largely dictated, not by the innate challenges of the position or the skills required, but by the number of positions that report to the individual or the high ranking administrator to whom the position reports. This leads to the situation where the rewarding of good performance often means the accompanying creation of workload to be supervised or managed. Over time this workload becomes institutionalized. The amount of micromanagement reported by departments indicates rampant overstaffing in certain administrative units. Similarly to the first recommendation, current hiring and advancement policies should be reviewed with a goal of creating a more flexible system that allows competitive salaries to be paid to individuals. In addition, many of the current positions needed at the department level no longer neatly fit the payroll categories available. The process of creation and modification of payroll titles and salary ranges in general needs to be far more flexible and fluid than is allowed by current policies and practices. This would aid transparency in University budgeting and public reporting of expenditures.

8. Review of Information and Educational Technology: Strong concern was expressed from all groups during the discussions about the deployment of Informational and Educational Technology (IET) resources on campus. Even within a college there are great inequities in the level of expertise available to departments and faculty to meet IET needs. In addition, many deployed systems are labor intensive for data entry, are accompanied by ineffective training, have arisen independently in different administrative units and therefore seek redundant information, and are incompatible requiring multiple entries of the same data by departments into different systems. Many departments have had to redirect budgets towards employing their own cadre of information technology specialists to make the centrally deployed systems functional and less time consuming for staff. The new effort reporting system was cited multiple times by departments as a classic example of such inefficiency. In addition, many of the software rollouts to departments are often based on dated software models and require significant adjustment on the part of departments to make them integrate effectively with newer technologies. This leads to a tremendous replication of effort across the campus. Because of the siloed budgeting approach used on the campus, the true costs of these information technology deployments are unrecognized centrally.

The lack of opportunity for IET staff to maintain currency of training was noted as a major problem. IET tools and technology advance rapidly and continual staff training and exposure to these new advances is critical to the incorporation of those technologies into existing software designs and architecture. The campus must recognize the fluid nature of IET. Many systems have short life spans and quickly become obsolete. The field is moving so quickly that often new hires have no experience with systems that were state of the art five years prior. If it takes three years to develop a software product for the campus, one year for training and implementation, the product then has a life span of one year before it becomes dated. Under this current scenario investments in IET technology are rarely recovered, a fact that needs to be taken into account in the budgetary processes. The more quickly programs are deployed the greater the return on the investment. The current practice of phasing in some of these programs over a period of years in combination with their very short shelf life needs to be rethought. The Task Force was struck by the comments from the College of Engineering and elsewhere that even though they are regarded as world experts in computer technology, they have never been consulted with respect to our own IET policies.

It was suggested several times that the campus or the system as a whole create an IET event – a conference for IET personnel that would facilitate informal discussion and the sharing of solutions to

campus problems. Faculty deem the IET area as the one critical area in which the “power of ten” can and should be brought to bear. All campuses are independently developing informational and educational solutions for the identical situations and issues at a tremendous cost to each campus. If all agreed to share the workload and develop generally useful software solutions significant savings in both time and funding would be attained by all. We suggest that the proposed IET fair be a UC event and rotate among the campuses to facilitate such interaction informally with the hope formal interactions and cost/workload sharing will ultimately occur. We suggest that UC Davis host the first event.

9. Restructuring of the Office of Research: The operation of the Office of Research (OR) was mentioned specifically and repeatedly as a concern in all of the meetings with the department/program chairs. The OR plays a critical role in assisting departments in obtaining resources for both the instructional and research missions of the campus. The current consensus view is that OR functions as a gatekeeper for rather than a facilitator of obtaining extramural funding. Departments report even less satisfaction with OR services now than before in spite of the large increases in staffing to the organization. Particular concern was expressed regarding the ability of OR to “think outside the box” and allow acceptance of non-traditional funding sources. Many departments report that applications for funding were not processed if the analyst felt they were “not worth the trouble,” also, private sponsor funding had been and continues to be held up to the point that more than one department chair said they felt the need to apologize to the respective donors. The OR is viewed by many as operating in a strikingly inefficient manner. The Davis Division Committee on Research has reported that a restructuring is underway to address many of these concerns, but the chairs and faculty in general are skeptical. As traditional funding sources shrink, OR needs to be more dynamic in assisting faculty in obtaining other types of funding and be able to quickly assess a wide array of research agreements. Many faculty volunteered their time to assist efforts to reorganize OR.

10. Ban Unfunded Mandates: The University as a whole is plagued by unfunded mandates. The California Legislature enacts legislation that creates unfunded mandates for UC. The Office of the President negotiates labor and other contracts that then become unfunded mandates for the campuses. The central campus administration enacts policies that become unfunded mandates to the schools, colleges and departments. The Dean’s pass unfunded mandates along to the Departments. This system of unfunded mandates presupposes a large discretionary component of budgets at the bottom of the unfunded mandate chain, the departments and programs. Such discretionary funding simply does not exist. We therefore propose a UC and UC Davis ban on all unfunded mandates. Any new mandate needs to include a fund source or define the equivalent workload (based on a realistic and accurate cost study) that will no longer be required so that it is cost-neutral. We urge the administration to suggest that this become statewide policy for the enactment of legislation either by the legislature or via the initiative process: all legislation resulting in a net cost must identify the source of that cost whether it be new revenues or the redirection of revenues with the accompanying termination of existing workload or services.

11. Explore and Develop a New Business Model for Higher Education: The continual downward trend in government support of public universities is relentlessly pushing public institutions towards privatization. Faculty are very concerned about the solution to UC’s declining budgets being increased indebtedness of the students and the complete abandonment of the Master Plan for Higher Education in California. At the same time, we recognize that the cost of business at all state agencies, including UC, outpacing revenue sources cannot continue. The current trend is forcing privatization by default, not by plan. The Task Force endorses the creation of a high level blue ribbon panel, such as the one created to

craft the Master Plan, to explore and develop a new business model for higher education in California, one that preserves public access and the integrity of the institution and its creative and intellectual activities. The societal costs of abandonment of the current Master Plan must be understood by all including decision makers, politicians and voters. In addition to forsaking the promise of access to higher education for all eligible citizens, abandonment of a high caliber public research enterprise will have striking impacts as well.

CONCLUSIONS

The Davis Division Task Force on Administrative Growth strongly recommends a thorough review of campus budgeting process, costs and expenses. More importantly, the current siloed budget philosophy and base increment budgeting model need to be eliminated and the overall costs of operations, regardless of which budget bears responsibility for those costs, needs to be determined. We understand the difficulty of this task given the complexity of the campus and its budgeting and operation and the fact that the majority of the policies in need of radical rethinking are UC and not specific to UC Davis. Nevertheless, such a critical assessment is past due. We recommend a special review of three areas, Human Resources, Informational and Educational Technology, and the Office of Research as these units are vital to the operation of the campus. The practice of passing along unfunded mandates simply needs to be terminated as this is a fiscally irresponsible practice driving up overall costs. Finally, we wish to again emphasize the danger of the drift by default towards privatization. We have no doubt that UC would become one of the premier private institutions of higher learning, however much public good would be lost were that to occur.

Submitted by:

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Table 1: ORMP Working File: FTE and Salary by Personnel Program

Table 2: UCSC-AVCOR Analysis of Staff FTE Use by Campus Service Centers

Appendix A: The UCPB accountability report

Column Labels							Variance 1999 vs 2008				
1999		2004			2008		Sum of Annual Base		% FTE increase	UCDHS	Campus
Row Labels	Sum of Annual Base	Sum of Fte	Sum of Annual Base	Sum of Fte	Sum of Annual Base	Sum of Fte	Sum of Annual Base	Sum of Fte			
ACADEMIC	234,009,408	4,494	328,448,546	5,795	465,569,849	5,815	231,560,441	1,322	29%	-	1,322
MSP	45,257,305	430	71,566,811	645	102,863,822	808	57,606,517	378	88%	-	378
PSS	393,250,304	11,215	560,434,748	12,554	773,938,266	14,212	380,687,962	2,997	27%	-	2,997
SMG	5,584,605	36	6,347,382	33	7,778,460	32	2,193,855	(4)	-11%	-	(4)
Grand Total	678,101,623	16,175	966,797,488	19,027	1,350,150,397	20,867	672,048,774	4,692	29%	-	4,692
Information about Data:											
Source: Corporate data system. Data reconciles to summary reports published annually on web at http://www.ormp.ucdavis.edu/inform/index_facstaff.html											
All data is from annual October snapshots											
Base FTE pay											
Charts: 3, S, H											
Organization detail reflects current organization (if an organization has moved, it is shown based on current structure)											

III. ADMINISTRATIVE ACCOUNTABILITY OUTSIDE INSTRUCTION AND RESEARCH

The argument that education at a research university is, and should be, more expensive than at a comprehensive university does not imply that inefficiencies are justified outside the category of Instruction and Research. In delivering functions common to all large institutions (for example, purchasing, staff human resources and hiring, payroll processing, employee benefits, and business IT), campus administrations should be responsible for meeting the standards of efficiency exemplified by well-run institutions in both the public and private sector.

Beginning in January 2003, UC Santa Cruz hired a management consultant (AVCOR) to analyze the use of staff FTE in service centers across campuses that perform routine business functions. The results of its study, summarized in the table below, show why the fiscal management of the campus has not produced significant economies of scale outside the instructional realm.

Metric	UCSC		
	Worst	Average	Best
Service Center Efficiency Metric			
1) Number of Employees / SC FTE	8	42	70
HR Efficiency Metrics			
2) PPS Actions / HR FTE	96	291	842
3) Cost per PPS Action (Salary only)	\$304.50	\$126.25	\$30.43
Payroll Efficiency Metric			
4) Payroll Transactions / Payroll FTE	123	280	619
5) Cost per payroll transaction (Salary only)	\$422.06	\$151.03	\$60.63
Payments Efficiency Metrics			
6) Total Payments / Payment FTE	3,017	5,707	17,547
7) Cost per payment (Salary only)	\$12.74	\$6.97	\$1.65
Purchasing Efficiency Metrics			
8) Total Orders / Purchasing FTE	635	2,616	7,669
9) Cost per order (Salary only)	\$61.03	\$15.26	\$6.55

* Excluded absolute worst and best case for each metric

** Based on data from UCSC P3 study dated 04/03

ADMINISTRATIVE ACCOUNTABILITY IN
THE UC SYSTEM
[FORMERLY ACCOUNTABILITY 1.5]
{DRAFT: Prepared for UCPB Meeting of 12/2/03}

INTRODUCTION

The citizens of California are entitled to public accountability from their research university. UC faculty members are held accountable as individuals for the quality of their research and teaching through regular performance review, academic programs and research units are held accountable through regular external reviews, and the system as a whole is now held accountable to the Legislature for meeting clearly defined goals of access and affordability. Missing, however, is a set of clearly defined measures for holding the UC administration – systemwide and on each campus – accountable for its performance in delivering the state-provided funds over which it has discretion to the core UC missions of instruction and research (I&R).

The need for such administrative accountability has been apparent since the budget crisis of the early 1990's when the Legislature stopped treating I&R as a separate line item in UC's appropriation, and when UC's Office of the President (UCOP) began distributing state funds as block grants to each campus chancellor. This change gave each campus greater discretion in its use of state funds to meet immediate and long-term needs. It did not, however, provide an alternative mechanism for reporting and assessing how well each campus did in funding I&R out of state revenues. Until now, the task of developing standards of reporting and assessment of administrative performance has fallen to the CPB's on each campus, which have had to operate without any benchmarks of comparison.

This Report addresses the need for a common standard that would allow systemwide comparisons in the large areas of business operations where UC campuses (and other large organizations) are essentially alike, and for more focused inter-campus comparisons in the research and instructional areas where UC campuses differ. We do not presuppose that all should be bound, as in the past, to a fixed budgetary formula for I&R that cannot respond to exigent circumstances. Our assumption is, rather, that the differences among campuses (and between budget years) should be made transparent in a way that holds campus administrations accountable for their management of resources to accomplish the University's core mission.

As a document of the systemwide Academic Senate, this Report focuses on improving the internal accountability of the UC administration to its faculty. Its central purpose is to help the Administration become more regularly and effectively responsive to the ongoing concerns of the Senate about the proportional budgetary commitment to I&R on each UC campus over time. A shared commitment to a common methodology for reporting to the Senate the administration's use of state general funds will be vital as UC goes through another period of budgetary retrenchment, followed, we hope, by restoration and growth.

We, here, leave open the relation of this system internal accountability for the management of state funds to the external reports that UC makes to public officials. No

doubt, the routine publication of data comparing the managerial efficiency of campus administrations could lead to unwarranted public criticism of UC, and care must be taken not to provoke such criticism. We believe, however, that should such criticism arise, the fact that the Academic Senate routinely demands and reviews the internal documents described below should provide the University with an effective answer — that the system of shared governance is the best check on managerial inefficiency because of the stake that UC faculty have in the budgetary primacy of instruction and research.

To make this public answer credible, we must seek, and be open to various explanations of the proposed the apparent performance disparities that our benchmarks reveal. In many cases, campus administrations will be able to explain disparities based on one-time events, accounting changes, local idiosyncrasies, and so forth; the adequacy of these answers can in turn be measured by seeing how much of the apparent disparity they explain. The Senate should be prepared, wherever justified, to address and correct public misunderstandings of administrative performance. In monitoring administrative performance, however, our watchword should be *fiat lux* — ineffective management must remain open as one possible explanation of the data provided, and under the system of shared governance the Academic Senate is responsible for evaluating this.

The proposed UCPB methodology for administrative accountability for the delivery of I&R divides into three parts:

1. The first part develops broad indices to measure the changing *expenditure* of enrollment-generated funds on I&R in relation to specific non-I&R categories (such as academic administration, institutional support, and student services). These indices are computed to show change over rolling ten-year periods, annual changes, and the effective pass-through of annual (and cumulative) budget increases and decreases to I&R and other categories.
2. The second part addresses why the cost-effectiveness of each campus's expenditure on I&R should be treated differently than other budgetary categories. Under the 1960 UC Master Plan, the instructional cost at a research university *should* be greater than in other segments of higher education. The effectiveness of budgeting I&R at a UC campus cannot, therefore, be measured in cost per credit hour or faculty contact hours — but it must be measured *somehow*. One way is through the standard assessment of the quality of UC's research and graduate programs, which lies largely outside the scope of this report. Another way is through the impact of attending a research university on the undergraduate experience of the top 12.5% of California high school graduates for whom the state has thus far paid a higher subsidy. Part II addresses measures of educational impact that would justify the differential subsidy that UC undergraduates receive under the Master Plan. It, thus, reflects the degree to which faculty-intensive forms of instruction are optimally distributed over the entire curriculum of research universities to the benefit of all students
3. The third part addresses the campus administration's delivery of functions outside of I&R that should be judged by standards of efficiency common to other large organizations. In areas such as staff human resources, purchasing,

payroll, business IT, etc., the campus administration should be held responsible for delivering service at a quality and cost similar to the best practices in other institutions of comparable size and complexity. Monitoring efficiencies in these areas would make a larger proportion of public funding available over time for the I&R activities in which research universities, such as UC, must articulate standards of performance that are specific to their mission.

The remainder of the draft Report illustrates the proposed approach using methods developed and applied at UCSC. The UCSC data (which are real) are here provided for illustrative purposes only. Further iterations of this Draft Report should adapt and amplify the methods and results described below so as to capture relevant comparisons between UC campuses.

I: INDICES OF OVERALL CAMPUS EXPENDITURES

Data reported to the National Center for Educational Statistics (<http://nces.ed.gov/ipeds/pas/>) show that over past two decades expenditures on instruction public research universities have grown proportionately far less than expenditures on student services, academic administration, and non-academic support functions.¹ [insert table with IPEDS data including UC campuses and selected comparison institutions] The common explanation that these universities have reduced their average cost per credit hour by increasing the proportion of credit hours taught by contingent (non-ladder) faculty.² Comparable economies of scale have not been realized in other areas.

Similar trends exist on UC campuses, which have had increased discretion since the 1990's to move funds between Instruction and Research (I&R) and other budgetary categories. The Academic Senate on each campus needs to know how its administration has exercised this discretion over time, and particularly how the proportion of UC and state general funds that are spent on each function has changed with growth in the campus budget, and with real growth in the dollars provided for campus operations on a per student and per faculty basis.

Our proposed methodology is an extension of techniques developed by UCPB in 1998-9 to hold campus administrations accountable for reductions in the UC-funded component of faculty research. That UCPB Report (issued under the title, *Accountability 1.5*) demonstrated that on a per-faculty basis UC campuses were contributing decreasing proportions of their state funding to support research during the 1990s — a trend concealed by the growth in extramural research support. The 1998-99 Report went on to show a proportional growth

¹ Thomas P. Snyder and Eva C. Galambos. *Higher Education Administrative Costs: Continuing the Study* (Washington, D.C.: Government Printing Service, January 1988), pp. 18-23.

² Ernst Benjamin, "Variations in the Characteristics of Part-Time Faculty by General Fields of Instruction and Research," *New Direction for Higher Education*, (no. 104, Winter 1998), pp. 45-49; Benjamin, "Declining Faculty Availability to Students Is the Problem, But Tenure is Not the Explanation," *American Behavioral Scientist*, 41:5 (February 1998), pp. 716-735. Benjamin, "How Over-Reliance on Contingent Appointments Diminishes Faculty Involvement in Student Learning," *Peer Review* (Fall 2002), pp. 41-20. See, also, American Historical Association, "Summary of Data from Surveys by the Coalition on the Academic Workforce" <http://www.theaha.org/caw/cawreport.htm>

on some campuses of expenditure on Institutional Support (IS), and to suggest (based on data from only UCLA) that on an indexed and adjusted basis the proportion of state funds spent on the instructional component of (I&R) has also declined during the 1990s. We here build on UCPB's overall approach to measure *change* in expenditures for I&R over time. Our reasoning is as follows:

- The core mission of the general campuses of UC is teaching and research – in budgetary terms “I&R.”
- With some exceptions, the general campuses state funds and student fees from the UCOP Office of the President (UCOP) on the basis of enrollments.
- These enrollment-generated funds, however, are not used only for I&R. They must also cover administration, a portion of student services, institutional support (IS), etc.
- Since the early 1990's, UCOP has distributed enrollment-generated funds to each campus as block grants, leaving each campus Administration discretion as to how much shall go to academic administration, student services, a, IS, etc., as distinct from I&R.

It is, thus, appropriate for Senate faculty to ask how the Administrations on their own campus and on comparable UC campuses have exercised this discretion to impose efficiencies inside and outside the core campus mission of I&R. To calculate this we look at reported campus *expenditures* (Financial Schedules B and C),³ rather than budgets, and then take the following steps of **adjustment** and **indexation** (in constant dollars):

1. Subtract out those segments of the annual campus expenditure that are not subject to administrative discretion: most notably student financial aid, auxiliary enterprises, and the direct-cost component of sponsored research. The remainder will be designated as the **Adjusted Campus Expenditure**. This derived figure can be compared with expenditures in each relevant sub-category, such as I&R, academic administration, etc.
2. To be consistent with Adjusted Campus Expenditure, however, further adjustments must be made in the subcategories of the Financial Schedules. Thus, I&R expenditures are recalculated by subtracting the same dollar amount for sponsored research that was already subtracted from Adjusted Campus Expenditure. (In this way we filter out the major extramurally funded (direct cost) component of I&R on both sides of the picture. Otherwise, significant growth faculty-generated grants could obscure the trend in the administration's use of enrollment-generated funds for I&R.⁴ It is important for similar reasons to subtract growth in financial aid [which reflects fee increases] and growth in campus housing costs [which reflect markets] from the calculation of the discretionary allocation of funds to student services.

³ For the most recent available year, see <http://www.ucop.edu/ucophome/cao/reports/2002/finsch/welcome.html>.

⁴ The “indirect costs” returned to each campus are, and should be, included in Adjusted Campus Expenditure. These funds (which UCOP designates as “opportunity funds”) are a discretionary source of income for the administration, and may thus be used for I&R, Institutional Support (including fundraising), capital projects, administration, etc. We also include in Adjusted Campus expenditures the portion of overhead that is returned to the campus as an undesignated addition to 1990 funds.

3. In some years it may also be necessary to adjust out supplemental appropriations designated by the Legislature for special purposes such as public service (e.g. Outreach), instructional technology, and deferred maintenance. A further refinement would distinguish between the expenditure and the appropriation for Outreach in order to determine how much (if any) discretionary campus funding has been used for this purpose in the past, and how much (if any) enrollment-generated funding will go to Outreach now that state-appropriations have been drastically cut.
4. To address its local concern about growth in administrative costs, each campus CPB will need to disaggregate/reaggregate some of the components of existing budgetary categories in the financial schedules. Thus, in the UCSC example, the subcategories “Academic Administration” (the Deans offices) and “Executive Administration” (the Chancellor’s and Provost’s offices) are broken out of Academic Support and IS, respectively, and reagggregated into a new category. Local CPB’s are likely to differ in the way this adjustment is made on their campus. Once the adjustment has been made, however, the relative *rates* of change in administrative and I&R expenditures on each campus can be compared.
5. This reagggregation of the cost of academic administration into a single category has consequences for other categories. Thus, Institutional Support (IS) in the UCSC example, has been recalculated to exclude Executive Management, and Academic Support is recalculated to exclude Academic Administration. (We have not looked, thus far, at the remainder of Academic Support, which includes library funding, etc.)
6. Further adjustment/reagggregation of reported expenditures in Schedule C would necessary to construct an expenditure category of “Student Affairs” that could be compared directly to nationally-reported trends in this area. General campuses are likely to vary, for example, in the degree to which academic and career advising are organized and funded through departments or the units responsible for administering student activities. Campus administrations are also likely to vary in their use of Registration Fees and 19900 funds to support academic and non-academic services to students. The present methodology could be refined to capture these local differences as exercises of campus administrative discretion, or it could be assumed that for the purpose of comparing campuses the effect of these local differences in budgetary strategy will wash out over time.
7. Each adjusted and reagggregated sub-category of expenditure is then **indexed** to the adjusted total campus expenditure, and the rates of growth in each subcategory are compared to each other and to the rate of growth in the total.
8. In addition the adjusted total, and each adjusted subcategory is **indexed** to Faculty FTE (both budgeted and filled), and to Student FTE.⁵ Once again, the rates of growth in each indexed subcategory are compared to each other and to the rate of growth in the indexed total.
9. Inasmuch as we are interested in trends, and not absolute values, our methodology is applied to **rolling ten-year periods**. This allows us to see the longer-term effects of administration spending decisions, and it eventually washes out the effects of budgetary events that are unique to the beginning or end-year of a particular period.

⁵ The distinction in the table between “filled” and “budgeted” FTE is and reflects local issues about the use of TAS funds, and is more relevant at the divisional than at the campus level.

10. Applying the methodology comparatively across UC campuses controls for the effects of system-wide and state policies, and thus holds the administration on each campus accountable only for budgetary decisions that fell within its discretion.⁶ To the extent that the Health Sciences component of some campuses distorts relevant comparison, it can be adjusted out for certain purposes. (We believe, however, that Part III, below, is directly relevant to evaluation campus administrative discretion over expenditures in Health Sciences.)

The methodology described does not purport to define from a static pointed of view what should or should not be counted as part of the core mission of I&R. Thus, we do not concern ourselves, for example, with which individual staff positions are “really” to be considered instructional support under I&R and which should “really” be counted as IS and administration. For our purpose, it matters only, and that there are no significant changes in the proportional magnitude of a given item wherever it might be reflected in the financial schedules, and that there are no changes in where that particular item appears in financial schedules. If there were to be significant changes, we could refine our methodology by adjusting these items out of both total campus expenditure and the relevant subcategory. This is relatively easy to do, as we are already doing with changes in Outreach funds.

We have attached, as an example, a preliminary version of this methodology as applied to UCSC. For purposes of cross-campus comparison, UCPB would be interested primarily in producing a single comprehensive table comparing local changes on each campus and local rates of change. At the campus level, however, the local CPB can use tables resembling those below raise questions about how its campus administration uses the funds generated by enrollments (both state-funds and education fees) as well as other UC General Funds to deliver its core mission of I&R over time. It can ask the administration how each (adjusted) component of (adjusted) expenditure varies as a proportion of adjusted total expenditures. It can also determine the extent to which increases (or decreases) in enrollment-based funding per student FTE and per faculty FTE are proportionally reflected in increases in I&R, IS, and academic administration expenditures per student and per faculty FTE over time. These variations can be calculated both as a changing percentage of a total, and as a changing percentage of a change. Thus, a campus CPB can measure the effect of growth in enrollment-generated revenue on the average expenditure on I&R per student and faculty FTE, and it can measure what proportion of the increase in enrollment-generated revenue is going to the core mission over time.

The comparative indices described in Part I of this report are not aimed at determining absolute levels of campus expenditure in each budgetary category, which would require determination, for example, of how each staff FTE is actually used. The purpose is, rather, to work with the campus expenditure data currently reported to UCOP in order to in order to identify and monitor longer-term changes in the relative distribution of discretionary campus funds among these budgetary categories. Part I’s methodology is, thus, essentially, a tool for generating the questions that should be answerable under Parts II and III.

⁶ The availability of systemwide data (Financial Schedule C), however, lags data available on each campus by c. 6-8 months.

(There is, for example, no presumption underlying Part I that the proportional cost of academic administration *should* remain constant on a per student basis – other things equal, it should probably decline as enrollments grow. If the comparative indices suggest this has not happened over successive rolling ten-year periods, the Academic Senate might look to the methodologies identified in Part III to determine whether campus management and budgeting processes need to be improved. If the comparative indices show that campus efficiencies have been realized primarily in the area of Instruction and Research, the Academic Senate would turn to the methodologies identifies in Part II to determine whether reduced expenditures in these areas have had a negative effect on the level student engagement expected from educationally appropriate mix between low- and high-cost modes of instruction over the course of undergraduate’s on-campus career. This is a concern that falls squarely within the purview of the Academic Senate.

APPENDIX I. SAMPLE EXPENDITURE INDICES FROM UCSC

UCSC CPB has been compiling the sample chart below beginning with the ten-year period from 1988-89 -1998-99. The chart, below, represents the third rolling ten-year period for which these data have been reported. In each successive period, thus far, there has been an increase in the proportion of discretionary campus funding spent on adjusted I&R, and a relative decrease in the proportion spent, e.g., on IS. UCSC should expect the proportional expenditure on I&R to increase during the next round of budget cuts, which are now targeted on producing efficiencies outside the area of I&R. This would reverse the trend toward declining proportional expenditure on I&R that occurred during the state budget crisis of the early 1990s.

UC SANTA CRUZ EXPENDITURES AND INDICES
1991-02 AND 2001-02
\$\$ in thousands--Adjusted by California CPI to 2001 dollars

	Current Fund Expenditures				Change	% of Change
	1991-92 (in 2001 dollars)	%	2001-02 (actual)*	%		
Adjusted Campus Expenditures*	176,509	100%	258,415	100%	81,906	100.00%
<small>*Excludes Student Financial Aid, Auxiliary Enterprises, and Sponsored Research.</small>						
I&R Expenditures (excluding extramural research)	94,099	53%	124,421	48%	30,322	37.02%
Institutional Support (excludes Executive Mgmt., but includes Fiscal Operations such as accounting, internal audit, and contract and grant administration; Administrative Services such as the computer center, EH&S, and the personnel office; Logistical Serv	13,157	7%	19,435	8%	6,278	7.67%
Academic Administration and Executive Management (Academic Administration includes IT, development, and financial support in the academic divisions as well as the cost of similar functions in the new School of Engineering. Executive Management includes t	13,658	8%	17,370	7%	3,712	4.53%

Faculty and Student Indices--(dollars in thousands)

	1991-92	%	2001-02	%	Change	% of Change
Budgeted Faculty FTE	499.78	100%	641.01	100%	141.23	100%
Filled Faculty FTE	402.00	80%	471.00	73%	69.00	49%
Ratios:						
Adjusted Expenses Per Budgeted Faculty FTE	\$353.17	100%	\$403.14	100%	\$ 49.96	100.00%
Adjusted Expenses Per Filled FTE	\$439.08	100%	\$548.65	100%	\$ 109.57	100.00%
I&R Expenses Per Budgeted Faculty FTE	\$188.28	53%	\$194.10	48%	\$ 5.82	11.65%
I&R Expenses Per Filled Faculty FTE	\$234.08	53%	\$264.16	48%	\$ 30.09	27.46%
IS Expenses Per Budgeted Faculty FTE	\$26.32	7%	\$30.32	8%	\$ 3.99	7.99%
IS Expenses Per Filled Faculty FTE	\$32.73	7%	\$41.26	8%	\$ 8.54	7.79%
Acad. Admin & Exec. Mgmt. Expenses Per Budgeted Faculty FTE	\$27.33	8%	\$27.10	7%	\$ (0.23)	-0.46%
Acad. Admin & Exec. Mgmt. Expenses Per Filled Faculty FTE	\$33.97	8%	\$36.88	7%	\$ 2.90	2.65%
Actual Student FTE	9,789		12,785		2,996	
Ratios:						
Adjusted Expenses Per Student FTE	\$18.03	100%	\$20.21	100%	\$ 2.18	100.00%
I&R Expenses Per Student FTE	\$9.61	53%	\$9.73	48%	\$ 0.12	5.46%
IS Expenses Per Student FTE	\$1.34	7%	\$1.52	8%	\$ 0.18	8.08%
Acad. Admin & Exec. Mgmt. Expenses Per Student FTE	\$1.40	8%	\$1.36	7%	\$ (0.04)	-1.68%

Large Increases in Targeted Funds Can Have An Impact

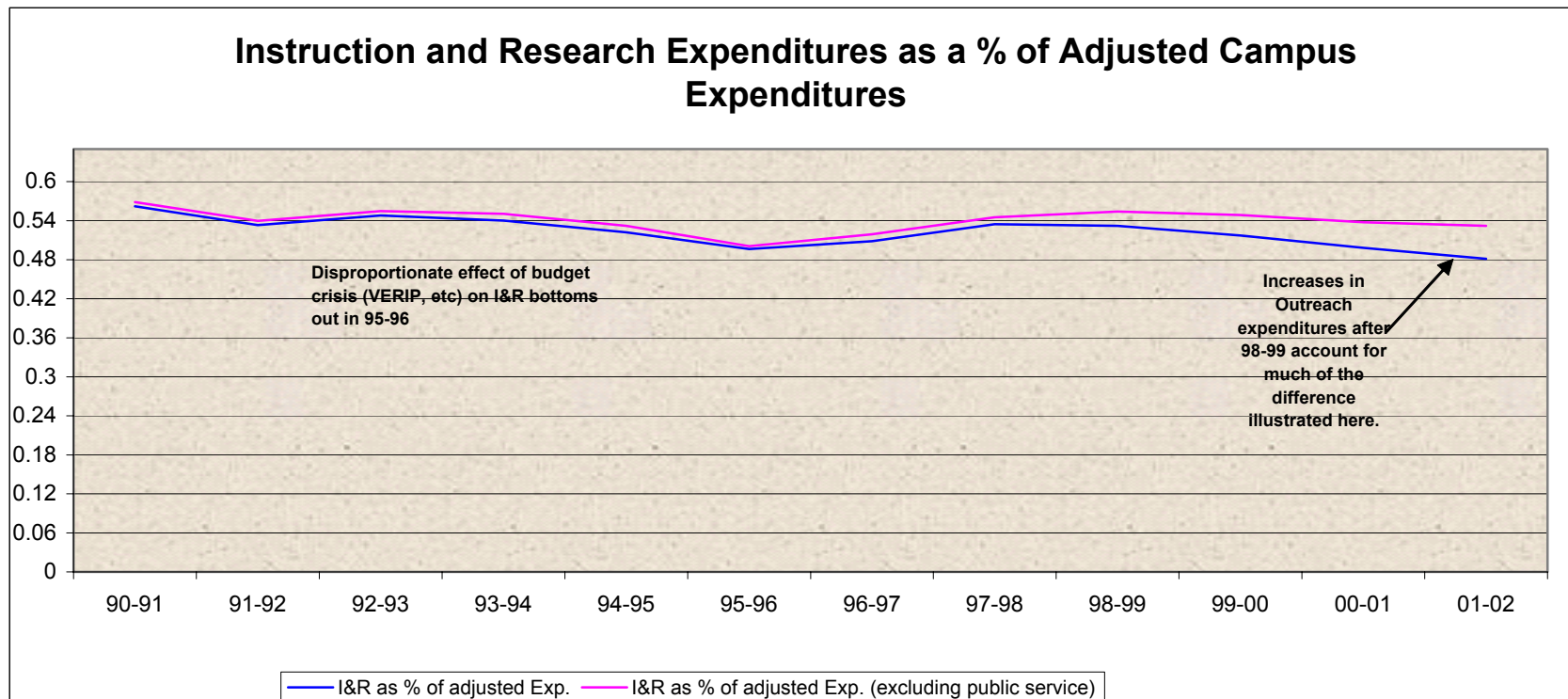
Increased funding for Outreach is included in adjusted campus expenditures. Excluding Public Service changes the % as follows:

Adjusted Total Expenditures*	\$174,386	\$233,844	\$ 59,458	34.10%
<small>*Excludes Student Financial Aid, Auxiliary Enterprises, Sponsored Research, and Public Service.</small>				
I&R Expenditures as % of Adjusted Total Expenditures	54.0%	53.2%		

Source:

UC Financial Schedules, Schedule B.
 State of California Department of Industrial Relations, Division of Labor, Statistics, and Research Publication
CPI California. CPI index for urban cities in Northern California (San Francisco, San Jose, and Oakland).

*Note: Expenditures modified to adjust for changes implemented in 2001-02, as required by GASB.



Explanatory Notes:

I&R as % of Adjusted Expenditures shows instruction and research expenditures, *excluding* sponsored research, as a percent of UCSC's Adjusted Expenditures (total campus expenditures, excluding student financial aid, auxiliary enterprises, and sponsored research).

I&R as % of Adjusted Expenditures (excluding public service) shows instruction and research expenditures, *excluding* sponsored research, as a percent of UCSC's Adjusted Expenditures (total campus expenditures, excluding student financial aid, auxiliary enterprises, sponsored research, *and* public service).

II. ACCOUNTABILITY FOR EXPENDITURES ON INSTRUCTION AND RESEARCH

The 1960 Master Plan for Higher Education promised that a public research university, financially accessible to all, could provide the most qualified high school graduates in California an education equivalent to elite private liberal arts colleges and research universities. Under the Master Plan, UC has an obligation to extend the benefits of a major research university to all of its students, graduate and undergraduate alike. The categories of assessment appropriate to undergraduate education UC should reinforce this obligation by identifying measures that specifically justify the additional cost to the state of sending highly qualified and motivated undergraduates to a research university.

Many of the concerns raised recently about the quality of undergraduate education at UC are a product of the declining ratio of graduates to undergraduates in the UC system. In a period of rapid growth, unbalanced in the direction of undergraduates, UC has hired more non-research faculty members to teach at the lower division level, a strategy that preserves the quality of graduate programs but erodes some of the historical distinctiveness of a UC undergraduate education.⁷ Part I of this Report seeks comparative reporting on the financial effects systemwide enrollment growth on the relative funding of I&R and other budgetary categories. In Part II, we seek measures of whether the imposition of relatively high cost efficiencies on I&R have had a negative effect on undergraduate education

We speak here of the undergraduate educational experience as a whole. It is entirely reasonable for a campus, or any of its academic programs, to make pedagogical decisions aimed at optimal use of more personal forms of instruction and examination within a student's four-year experience. Acknowledging this does not, however, relieve that campus or its programs of the need to account for the outcomes in order to determine whether it is underspending on any level of undergraduate education. In the past and in the future, the quality of undergraduate education at UC will depend upon the excellence of its research faculty and the availability of those faculty and their graduate students to teach highly motivated undergraduates. As the State's research university, UC's success in undergraduate education should be measured by criteria that capture our ability to motivate students and help them to succeed.

One way to measure the impact of a UC undergraduate education is through the proportion of UC graduates who are motivated and qualified to pursue advanced degrees. The National Student Clearing House (<http://www.studentclearinghouse.org/>) provides multi-year follow-up on the careers of college graduates. If all UC campuses subscribed to this service (and/or collected their own data), they could move beyond anecdotal evidence of their impact on this important segment of undergraduates toward comparisons with other UC campuses, other public research universities, and participating CSU's. An interesting additional measure of the distinctive educational opportunity offered at UC would be to

⁷ NCES data show that, at all levels of higher education, ladder-rank faculty are significantly more likely than contingent faculty to hold office hours and to examine by means of essays or problem sets. These data are analyzed in Ernst Benjamin, *Getting Real: Obstacle to Enhancing the Effectiveness of Part-Time Faculty Positions*, available from AAUP.

control for the effect High School GPA and composite SAT scores of entering students on, for example, 5-year-out matriculation in graduate and/or professional school. This would partially address the claim that UC's record in post-graduate admissions is wholly explainable by its greater selectivity and prestige,⁸ and not by the quality of educational experience that it offers to students at all levels in the admissions pool.

A broader indicator of the educational impact of UC would be measures of undergraduate "engagement." Engagement surveys ask relatively specific questions on level academic effort (preparation time out of class, materials assigned, etc.), out-of-class discussion of academic ideas with peers, instructors and regular faculty, challenges to critical thinking, enriching educational experiences, extra-curricular involvements, exposure to diverse cultures, and so forth. Students at a research university should have a higher level of academic engagement, thus conceived, than those at comprehensive campuses, both in general and when compared according to disciplines and academic qualifications on admissions. Demonstrating this difference is essential to justifying the higher cost per credit hour of an education that exposes undergraduates to research faculty, their advanced students and the intellectual climate surrounding research. UC campuses should not be expected to differ from other tiers of higher education using broad measures of student "satisfaction," — but more specific measures of academic engagement should justify the cost-effectiveness of a UC education over the course of an undergraduate's academic career, and on into professional life.

There are two broad survey instruments presently available for measuring undergraduate engagement. The most comprehensive is the National Survey of Student Engagement (NSSE, <http://www.indiana.edu/~nsse/>). This survey of first-year students and seniors reports the results for each subscriber in comparison to other surveyed institutions in its Carnegie classification, and, separately, in comparison to those participating institutions that are in the top 5% of that classification. An advantage of NSSE is that over four hundred institutions currently participate, including a consortium of twelve CSU's and many leading public research universities (including Virginia, Wisconsin and Michigan). A possible disadvantage is that NSSE does not report the data that allow comparison to specific institutions (although this might be negotiated as salary data has been for the "comparison eight.") If all UC campuses were to participate in NSSE, they could develop a partially-customized questionnaire through NSSE, share NSSE data among themselves, and publish their own comparisons in relevant categories.

The existence of NSSE is already of value in UC's efforts to justify a more costly form of education for its undergraduate. Prior to NSSE, available data showed that the most commonly measurable forms of cognitive attainment attributable to higher education were relatively independent of perceived institutional quality.⁹ NSSE data shows that, by a student's senior year, the top 5% of research universities come closest to elite liberal arts colleges in their levels of undergraduate engagement. A clear challenge to UC is to sustain the levels of cognitive attainment it has in common with all segments of California higher

⁸ This argument is suggested in the Joint Committee Report on the Master Plan (cite).

⁹ See, e.g., Ernest T. Pascarella and Patrick T. Terenzini, *How College Affects Students: Finds and Insights from Twenty Years of Research* (San Francisco: Jossey-Bass, 1991, pp. 372ff.

education, while achieving the levels of educational engagement of the top 5% of research universities.

As an alternative to NSSE, the UC system is currently conducting UCUES (the University of California Undergraduate Experience Survey <http://ishi.lib.berkeley.edu/cshe/seru21/>). The usefulness of the two surveys for present purposes may be compared by examining the NSSE data for UCSC (<http://planning.ucsc.ued/irps/Enrollmt/nsse2000.pdf>) and the recently compiled UCUES data for UCB. (http://osr.berkeley.edu?Public?Staffweb?TC/ucues2003/ucues2003_menu.html). In addition to assessing the intrinsic value of the two instruments, the Senate should consider the advantages of NSSE in permitting comparisons outside the UC system.

We recognize, of course, that no single criterion (including academic engagement) is sufficient to measure the quality of a university education, and that no survey instrument designed to compare of wide range of institutions will adequately capture the unique characteristics of each UC campus. Any survey instrument must thus be seen only as a supplement to the information UC campuses routinely gather on the academic quality of individual faculty members, departments, and research units and competencies and achievements of their students as well as their persistence and graduation rates.

In the context of this overall data, the usefulness of a comparative survey instrument is highly specific — it provides *some* external measure of the effect of reduced (or increased) cost per credit hour on the educational experience of undergraduates in (a) the UC system, (b) on each general campus, and, perhaps, (c) in specific academic disciplines on each campus. It is, thus, a tool for holding each UC campus administrations accountable for maintaining a level of investment sufficient to supports the mix of pedagogies necessary for academic engagement at a research university.

We would further note that the educational engagement data described above must be collected longitudinally for holding UC campus administrations for funding and delivering the qualities that should be distinctive of the undergraduate experience at a premier research university. Future versions of this Draft Report should, thus, specify the frequency with which surveys of engagement should occur for the purpose of measuring changes that may be attributable to long-term trend in the campus funding of I&R. (The sample data from UCSC in Appendix II would be more useful for the purpose of administrative accountability if results from 2000 could compared with a survey from 1990, before the last budget crisis occurred.)

APPENDIX II: SAMPLE NSSE SURVEY OF UCSC FRESHMEN AND SENIORS

<http://planning.ucsc.edu/irps/Enrollmt/nsse2000.pdf>

III. ADMINISTRATIVE ACCOUNTABILITY OUTSIDE INSTRUCTION AND RESEARCH

The argument that education at a research university is, and should be, more expensive than at a comprehensive university does not imply that inefficiencies are justified outside the category of Instruction and Research. In delivering functions common to all large institutions (or example, purchasing, staff human resources and hiring, payroll processing, employee benefits, and business IT), campus administrations should be responsible for meeting the standards of efficiency exemplified by well-run institutions in both the public and private sector.

Beginning in January 2003, UC Santa Cruz hired a management consultant (AVCOR) to analyze the use of staff FTE in service centers across campuses that perform routine business functions. The results of its study, summarized in the table below, show why the fiscal management of the campus has not produced significant economies of scale outside the instructional realm.

Metric	UCSC		
	Worst	Average	Best
Service Center Efficiency Metric			
1) Number of Employees / SC FTE	8	42	70
HR Efficiency Metrics			
2) PPS Actions / HR FTE	96	291	842
3) Cost per PPS Action (Salary only)	\$304.50	\$126.25	\$30.43
Payroll Efficiency Metric			
4) Payroll Transactions / Payroll FTE	123	280	619
5) Cost per payroll transaction (Salary only)	\$422.06	\$151.03	\$60.63
Payments Efficiency Metrics			
6) Total Payments / Payment FTE	3,017	5,707	17,547
7) Cost per payment (Salary only)	\$12.74	\$6.97	\$1.65
Purchasing Efficiency Metrics			
8) Total Orders / Purchasing FTE	635	2,616	7,669
9) Cost per order (Salary only)	\$61.03	\$15.26	\$6.55

* Excluded absolute worst and best case for each metric

** Based on data from UCSC P3 study dated 04/03

UCSC CPB has been informed that “best practices” at UC (UCSD) suggest a target headcount ratio of 1:100 in HR and Business Processes, and that the target based on “best practices” in industry would be 1:200. This implies that if UCSC were to simply standardize its existing best practices under a single manager it could save up to one third of its current costs in these categories, and if it could reap economies of scale from these consolidated

functions it could save up to half of the present cost (not considering the benefits to the campus of released office space.) AVCOR's report to the UCSC campus of its approach to reorganizing campus HR and purchasing functions is available online at <http://planning.ucsc.edu/ebc/SABforum/frame.htm> . (Similar results are expected from the campuswide studies presently underway of business IT and facilities maintenance.)

An outside consultant should not have been needed to reach this conclusion. If the total cost of campus services were presently managed on a functional (rather than an incremental) basis it would have been a manager's responsibility to perform and report using the criteria AVCOR employed. Under the base-increment model (in common use at UCSC and other campuses_ there is no regular mechanism for reporting the differential efficiency and quality with which existing budgetary units provide similar services. Once a staff position becomes part of a unit's base budget, it remains there allowing the unit manager discretionary use of any savings that accrue when the position is unfilled.

UCSC has learned that the base-increment model (which gives fiscal expression to the autonomy of ladder-rank faculty in universities) is an impediment to cost-effective management of operational areas in which universities are not unique. Inefficiency in these areas leaves less funding for the core academic functions of Instruction and Research, where cost reductions are relatively easy to pass down, but not as easy to justify in a manner consistent with educational quality.

Are UCSC's findings in the area of business practices typical of other UC campuses? The answer would depend on the degree to which individual campuses implement internally the forms of managerial accounting that UCSC brought in from the outside. It would appear, however, that UCSC's present level of efficiency in business operations is fairly typical of the UC system as a whole, and that the campus is unique only in the commitment of its present administration to identify and eliminate inefficiencies. This tentative conclusion is based on UCOP's "Partnership for Performance" which in May 2003 issued comparative reports on "Payroll Operations" and "Disbursement Operations." (The text of these Reports was removed from the UCOP website in September 2003 (<http://www.ucop.edu/ucophome/businit/> .)

The next version of this Draft Report should address mechanisms for refining and applying generally accepted standards of business efficiency for non-academic functions to all UC campuses.

APPENDIX III: SAMPLE DATA ON BUSINESS PROCESSES AT UCSC AS OF APRIL 2003

Service Center Costs per FTE

SC Service Center Name Average % of FTE/Function	Total Cost per FTE	People Served		HR Actions			TOTAL PPS/HR Actions	Ratio TOTAL HR ACTIONS/FTE
		# of people served (self reported)	# of people served per FTE	Staff Hires, TranPromo, Leaves, Separations	Academic Hires, TranPromo, Leaves, Separations	Student Hires, TranPromo, Leaves, Separations		
Central Business Operations	\$ 49,995	320	51.6	89	2	148	239	275
Colleges & Univ Housing Svcs	\$ 41,815	246	10.2	243	4	915	1,162	540
Communications & Technology Sv	\$ 50,914	190	29.2	38		89	127	130
Fin/Safety	\$ 58,676	350	70.0	140		69	209	348
Humanities Division**incr in FTE by 9	\$ 41,296	309	71.9	34	241	306	581	166
Image/Print/Mail/Temp Services	\$ 66,555	57	19.7	20		18	38	181
Physical & Biological Sciences	\$ 42,903	2,069	46.0	253	329	595	1,177	238
Physical Plant	\$ 46,696	322	53.7	108		66	174	215
Physical Planning & Const.	\$ 41,000	47	7.5	12		9	21	122
Social Sciences Business Offc	\$ 42,008	330	23.6	135	364	406	905	462
Engineering Combined Svc. Centers	\$ 44,648	412	52.8	33	67	222	322	130
UC College Prep	\$ 34,691	20	11.3	1			1	#DIV/0!
University Extension	\$ 52,026	120	16.0	345	297	216	858	1,393
Total Self Reported by Function								
Arts Division	\$ 44,294	2273		187	188	244	619	376
Educational Partnership Center	\$ 45,448	31	7.0	65	16	188	269	294
***Estimate Bay Tree Bookstore	\$ 43,500			7		52	59	57
***Estimate UCO/Lick Observatory	\$ 43,500			50	24	46	120	96
***Estimate Colleges	\$ 41,000							-
Financial Aid Office	\$ 50,512	25	32.7	14		105	119	764
Health Center	\$ 46,854	39	15.7	113		32	145	279
***Estimate Media Services-Library	\$ 41,000							-
Orientation, Student Academic Support	\$ 40,504	22	12.8	14	8	284	306	842
Phys Ed, Recreation & Sports	\$ 46,055	29	9.3	77	1	275	353	540
Registrar's Office	\$ 41,909	67	24.2	38		118	156	273
Student Dev/Comm Serv Bus Ctr	\$ 37,591	107	30.6	67	1	136	204	282
Summer Session				6	45	37	88	
University Library	\$ 43,207	330	56.9	48	7	227	282	234
TOTAL Service Center								
		7,715	653	2,137	1,594	4,803	8,534	
Service Center Average		351		85	106	200	328	
Cost per Function - using Average								
Cost per Function - using \$50,000 (incl benefits)								
Best Practice								
- Average highest processing vol			65.2					397
- Highest processing vol			71.9					1,625

Payroll Transactions per FTE

SC Service Center Name Average % of FTE/Function	Payroll Transactions				Payment Transactions		Purchase Transactions	
	Payroll Transactions	Payroll Transactions/FTE	Total Payments	Total Payments/Total Payment FTE	Total Volume Payments	Ratio Total Payments/Total Payment FTE	TOTAL Volume Orders	Total Orders/Purchase FTE
Central Business Operations	435	439	\$ 3,466,591	\$ 4,059,240	5547	6,495	1420	1,762
Colleges & Univ Housing Svcs	1,150	242	\$ 16,063,532	\$ 7,979,897	16721	7,101	7684	3,263
Communications & Technology Sv	206	211	\$ 4,706,377	\$ 4,827,053	1706	2,187	999	908
Fin/Safety	380	281	\$ 4,754,694	\$ 4,322,449	5740	9,567	768	1,970
Humanities Division**Incr in FTE by 9	215	177	\$ 1,318,876	\$ 1,395,636	3484	3,687	869	2,195
Image/Print/Mail/Temp Services	52	578	\$ 4,561,185	\$ 4,471,750	2632	17,547	2336	9,733
Physical & Biological Sciences	800	198	\$ 11,099,904	\$ 3,523,779	20203	4,988	11695	2,363
Physical Plant	310	574	\$ 11,275,902	\$ 23,991,281	6938	7,911	4157	6,159
Physical Planning & Const.	42	195	\$ 75,604,183	\$ 67,624,493	3093	5,138	2638	7,669
Social Sciences Business Offc	1,300	619	\$ 9,781,802	\$ 4,990,715	9693	3,644	3336	1,589
Engineering Combined Svc. Centers	404	392	\$ 2,189,114	\$ 1,118,607	2678	3,250	1152	1,243
UC College Prep	104	283	\$ 1,933,603		1637	4,923	1028	
University Extension	130	123	\$ 9,671,323	\$ 219,802,795	6070	34,489	1015	5,767
Total Self Reported by Function								
Arts Division	375	271	\$ 2,038,456	\$ 1,743,617	4145	4,173	2292	2,335
Educational Partnership Center	104	135	\$ 3,500,986	\$ 5,513,469	3904	6,455	1365	2,503
***Estimate Bay Tree Bookstore	68	70	\$ 6,383,999	\$ 6,547,691	6815	8,737	300	273
***EstimateUCO/Lick Observatory		-	\$ 4,325,553	\$ 4,683,885	9642	4,416	2355	3,168
***Estimate Colleges								
Financial Aid Office	125	903	\$ 95,229	\$ 860,167	311	3,017	59	635
Health Center	125	266	\$ 4,201,380	\$ 11,384,841	1757	5,113	1549	4,998
***Estimate Media Services-Library			\$ 398,512		672		193	1,557
Orientation, Student Academic Support	80	261	\$ 527,509	\$ 2,042,052	1496	6,219	726	3,347
Phys Ed, Recreation & Sports		-	\$ 780,974	\$ 1,679,581	1733	4,002	345	886
Registrar's Office	201	416	\$ 548,181	\$ 1,345,485	1213	3,209	248	728
Student Dev/Comm Serv Bus Ctr	150	246	\$ 4,505,590	\$ 8,745,815	3330	6,941	1681	3,686
Summer Session			\$ 25,887		91		27	
University Library	378	373	\$ 4,791,887	\$ 5,596,978	6192	7,766	165	230
TOTAL Service Center	7,134		188,627,219		121,443		50,444	
Service Center Average	324		\$ 7,254,893		4671		1,940	
Cost per Function - using Average			\$ 1,015,326					
Cost per Function - using \$50,000 (incl benefits)								
Best Practice								
- Average highest processing vol		457		\$ 14,909,507		7,240		5,489
- Highest processing vol		619		\$ 67,624,493		9,567		7,669

APPENDIX IV:**Draft Subcommittee Report on Accountability 1.5
March 11, 2002**

The original report on “Phase 1.5” accountability produced by UCPB in 1999 outlined two main objectives: 1) to monitor how resources are directed to support core academic functions; and 2) to provide a picture of faculty productivity as it relates to excellence in teaching and research. They recommended that measures related to these objectives be developed and agreed upon by Academic Senate and Administrative representatives. They made suggestions about possible appropriate measures but were not able to fully develop a plan due to difficulties in obtaining all the necessary data. They closed with a specific recommendation that completion of the task should be given a high priority and suggested the formation of a joint Academic Senate/Administration task force. They further recommended that the report should be distributed to Divisional Senates for review and that a mechanism should be put in place to update the analyses each year.

Apparently, this report did not lead to any continued activity with one exception. The UC Santa Cruz Committee on Planning and Budget has worked with their administration to develop a detailed methodology for tracking expenditures that addresses the first point above. Working with total expenditure data, they have come up with adjustments that remove various components of the expenditures, including extramurally funded contracts and grants, student financial aid, and revenues from sales and services in auxiliary enterprises. Within this adjusted campus expenditure focus is put on the categories of I&R expenditures, Institutional support and Academic and Executive administration. Expenditures in these three categories are adjusted for inflation and indexed to faculty and student FTE to allow for easy analysis of trends over time.

The subcommittee recommends that the Phase 1.5 accountability effort should be resurrected and carried through to some degree conclusion building on the work done at Santa Cruz. This clearly has to be a joint Senate/Administration effort, and probably will require establishing a special group to make sure it gets followed through to completion.

The one important caveat to consider is that the necessary information is not generally available at the systemwide level, so the major activities would necessarily have to focus at the local campus level and involve the establishment of separate senate/administrative groups on each campus. The key question UCPB should consider, therefore, is how much useful impact a Universitywide committee can have. That said, there are a number of potential benefits that could result from developing and tracking a small set of summary measures, including:

- By agreeing on a small number of indices to track over time, Senate committees and administrators will have a common language for evaluating budget decisions. This has apparently been the experience at Santa Cruz
- A well-designed set of indices could provide a framework for educating Senate committee members (and possibly some administrators) about campus budgets. New members of campus planning and budget committees frequently have considerable difficulty developing a good enough basic understanding of their campus budget to make informed recommendations on new initiatives.
- As we have seen with the legislative audit this year, the University is occasionally required to justify aspects of its activities to outside agencies. If we already have in hand a relatively simple set of measures that we have studied and understand thoroughly, we may be in a better position to respond to these queries.

- The movement to state-funded summer sessions will force campuses to make policy decision about a variety of new issues related to summer instruction. In essence, this will produce discontinuities in budgetary allocations at each campus, and the consequences need to be closely tracked.
- While there is great uncertainty about the University's budget over the next few years, the chances appear reasonably good that we will have to accept some fairly significant budget cuts. UCPB is currently working on developing criteria for prioritizing cuts. If anything, accountability will become even more important if cuts are required, and a set of basic budget indices should significantly improve our ability to track the impacts of cuts and evaluate the degree to which priorities are being honored.
- There is always concern about how indirect cost return monies are expended, and UCPB is once again looking into this matter. ICR is really only one piece of a much larger budget puzzle, however, and cannot be fully explained in isolation from the state-funded components of the budget.

**BASIC APPROACH TO DEVELOPING INDICES TO TRACK BUDGETARY
ACCOUNTABILITY**

The Santa Cruz methodology is presented as a means to identify patterns and raise questions that need to be answered. Simple summaries of complex data sets must obviously compress most of the information, a process that will inevitably create distortions. This does not necessarily invalidate the summary measures. In fact, it may help prove their utility if they are effective at directing attention to trends and anomalies that merit further scrutiny.

The Santa Cruz methodology adopts several principles that we believe should be continued.

- They (and the initial UCPB report) focus on changes in indices, rather than absolute levels. While developing a set of absolute benchmarks could be very useful, perhaps though comparisons with other universities, the data necessary for such a study would almost certainly be impossible to obtain.
- Both the UCPB report and the SC methodology focus should be on changes over time at individual campuses in consistently defined measures. It may be possible to develop a basic methodology that can be applied at all campuses, but the results are likely to be different enough to make inter-campus comparisons difficult.
- They focus only on expenditure data for budget information. The alternative of looking at information on allocations would be much more difficult, and expenditures have the advantage of accurately reflecting the outcomes of all allocation decisions.
- They adjust total expenditures to remove certain categories of expenditures that are not directly related to the core academic mission or are funds over which the Administration has no discretionary control.
- They break out expenditures by category, including Instruction & Research, Institutional Support, and Academic and Executive Administration.

There are specific aspects of the Santa Cruz methodology that may not be as useful in other campus environments.

- There may be useful to distinguish between different sources of discretionary funds, since there may be different degrees of discretion associated with them. For example, indirect cost recovery money can be allocated more freely than state general funds, while state general funds can be allocated more freely than some other types of state funds.

- The Santa Cruz approach of indexing expenditures by dividing by student and faculty FTE has proved contentious. While it may be useful in wider inquiries, it is an unnecessary step if the focus is on relative rates of change over time in expenditures in different categories.

To follow a generally analogous approach at another campus, one would ideally have at least ten years of expenditure data aggregated by fund source and function code. None of the routinely published financial schedules contains this specific information, so, as noted above, it would have to be obtained at each local campus. The campus budget and planning offices should be able to generate the data relatively easy, however, and it is aggregated to a high enough level so data volume is not an issue. Much additional interesting information could be obtained if account sub and control point (unit within which the expenditure occurred) were included as additional factors, but that might introduce too much complexity into the process. These additional factors are perhaps most useful as aids in interpreting the indices, rather than as direct components of the indices.

One adjustment based on fund source and one based on function would produce a number generally analogous to what Santa Cruz refers to as “Adjusted Campus Expenditures.” (Note: The definitions used here are based on standard practice at UCSB. I’m not sure at this point how much the terminology varies from campus to campus.) First, only expenditures for state, student fee and indirect cost recovery fund sources would be included. This would exclude expenditures of funds from sales and services, contracts and grants, and gifts and endowments. (It might also be useful to maintain the distinction between state general, other state, student fee and ICR throughout the analysis.) Second, only expenditures for the following function codes would be included: instruction (40); academic support (43); research (44); libraries (60); public service (62), maintenance & operation of physical plant (64); general services (66); student services (68); and institutional services (72). This would exclude the old summer sessions (41), university extension (61), auxiliary services (76) and student financial aid (78).

Instruction & research expenditures could be broken out of the total adjusted expenditures by selecting expenditures in the academic, academic support, research and library functions. (It might be interesting to treat library expenditures as a separate category, which would be quite straightforward since it is in a separate function category.) Academic administration residing in colleges and schools is classified in the instruction function, so it would need to be subtracted from this category. The two-way breakdown of expenditures by fund code and function does not separate out these expenditures, but they are listed as a separate line item in Schedule B, so this adjustment is easy to do.

Institutional support, as defined by Santa Cruz, could be approximated by selecting expenditures in the public service, general service, student service, and institutional service functions. In this case, executive management needs to be removed, again by subtracting the itemized total listed in Schedule B. The executive management figure is then combined with the academic administration figure to give a total for administration.

The one major component of the adjusted expenditures that is omitted from any of these three categories is maintenance & operation of plant. This might not be of primary interest since augmentations for it are typically separated from workload increases throughout the budgeting process. In any case, it would be easy to track by looking at expenditures in that specific function (code 64).

Once the basic categories determined by fund source and function code were established, then changes over the desired time period could be determined by comparing rates of change (e.g. ratios of expenditures in the first and last year) in the different categories.

This approach, or something reasonably similar, should not be impossible to transfer to other campuses unless the methods of categorizing expenditures differ significantly between campuses. The results of applying the analysis would obviously differ based on the various activities carried out on different campuses, but then the objective is not to produce inter-campus comparisons, anyway. It is quite likely that the classes of expenditures included in each category should be modified somewhat. A joint Senate/Administration group could undoubtedly make improvements on this sort thing after further study.