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*Chair of the Assembly and the Academic Council
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University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200*

July 12, 2012

**SENATE DIVISION CHAIRS
SENATE COMMITTEE CHAIRS**

Re: Systemwide review of “Rebenching” report

Dear Colleagues:

I have enclosed for systemwide review in Fall 2012 the report and recommendations of the Rebenching Budget Committee, which met from April 2011 to March 2012. The rebenching project is the second phase of the University’s overhaul of its internal budgeting processes, following Funding Streams, which addressed non-state revenues and which was implemented in 2011-12. The intent of rebenching is to increase transparency and equity in the formula for allocating state funds across the campuses.

Comments should be sent to SenateReview@ucop.edu by **Monday, December 3, 2012**. I encourage you to circulate this report and recommendations widely in order to engage the broadest possible range of faculty in discussion of the future shape of the University. I thank you for your assistance.

Sincerely,

Robert M. Anderson, Chair
Academic Council

Cc: Academic Council
Executive Director Winnacker

Encl.



OFFICE OF THE PRESIDENT
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

June 25, 2012

PRESIDENT MARK G. YUDOF

Dear Mark,

Enclosed please find the report and recommendations of the Rebenching Budget Committee. At your request, we convened this Committee in June 2011. The Committee was broadly representative of the University and its ten campuses, including six Chancellors, five members of the Academic Senate (including the Chair and Vice Chair of the Academic Council), two Executive Vice Chancellors, and four Vice Chancellors for Planning and Budget. The committee deliberated over the better part of the year, holding its last meeting on March 7, 2012. The committee approved the framework and recommendations of the report at the last meeting and this report was reviewed extensively by a drafting committee representative of the full Committee.

While not every member of the Committee agreed to every detail of the proposal, there was consensus on the need to move forward on the general principles behind the proposal. In particular, there was strong consensus that the University needs a more transparent and equitable process for allocating funds received from the State of California to its ten campuses. And there was strong consensus that such allocations need to be guided by core principles derived from the University's mission. Specifically, that UC's excellence is found in all of its parts and that state support per student should not depend on the campus a student attends. The Committee also felt strongly that rebenching should occur, if possible, out of new State funds rather than by further cutting existing State support at any campus.

Given the volatility and uncertainty surrounding the State budget, the Committee did recognize the need for year-to-year flexibility in implementing these changes. In particular, such flexibility would be needed in years of small or no budget increases. Other issues that would need to be addressed in implementation include:

- The development over the next year of a long-range enrollment plan that will provide the basis for the rebenching enrollment targets beginning in 2013-14. The campuses will be asked to begin such planning in early November, after the results of the November tax measure are known.
- The methodology for annual adjustments to the UC Merced and UC San Francisco budgets (proposals are referenced in the report).

PRESIDENT MARK G. YUDOF

June 25, 2012

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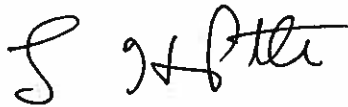
- Establishing a method for determining and annually adjusting the appropriate allocations to “off-the-top” programs including the Agricultural Experiment Station (AES), the Scripps Institute, the Neuropsychiatric Institutes, Mental Health Teaching Support, the MIND Institute, SAPEP programs, and any State General Fund adjustments to student financial aid in order to even out the student work/loan commitment across campuses.

It is our belief that, similar to Funding Streams, adoption of rebenching will create a framework that allows for the transparent resolution of many of these issues. Many of these issues concern funding that was allocated to the campuses for a specific program at the request of the state government and are related to how that funding has grown or been cut over the years since it was originally allocated.

The enclosed report includes two documents (Appendix A and B) that show the results of the rebenching model calculations. However, one of the implementation tasks is to verify these numbers with the campuses. Thus, the numbers and results in these appendices will change prior to implementation. They should not be considered final numbers. In addition, there are additional appendices that will be compiled and transmitted to you over the next few weeks.

We are transmitting the report for additional review and comment to a broad range of University constituents. We look forward to discussing the report and its implementation with you at your earliest convenience.

Sincerely,



Lawrence H. Pitts
Provost and Executive Vice President
Academic Affairs



Nathan Brostrom
Executive Vice President
Business Operations

Enclosures

CC: Chancellors
Rebenching Budget Committee Members
Executive Vice Chancellors
Vice Chancellors for Planning and Budget
Rebenching Budget Committee Staff

University of California Rebenching Budget Committee

Committee Report and Recommendations

Reduced state support prompts reexamination of UC funding models. Beginning in 2008, the University of California Office of the President (UCOP) initiated a comprehensive review of how the University budgets and allocates its various fund sources. This became particularly urgent in the intervening years as the state dramatically reduced state support to the University and non-state fund sources became an ever-increasing share of the University's total budget. This review and subsequent deliberations in the University led to a recommendation in 2011 to adopt Funding Streams, a new budget allocation model for current funds.

Funding Streams. Funding streams, implemented for the 2011-12 budget year, is based on the principle that campuses would retain all the revenues they generate and that central operations would be funded through a new assessment on expenditures from all fund sources. Funding streams was implemented for all revenues except State General Funds. Fundamentally, it did not change how State General Funds are currently distributed across campuses.¹ The distribution of State General Funds among campuses is a result of a long history of State and University funding allocation decisions. Because campuses grew at different periods under different allocation models, the base allocation of State General Funds could no longer be explained by any one set of factors or principles.

The need for rebenching. Parallel to the funding streams discussions, there were a number of discussions about the need to address the distribution (or redistribution) of the State General Funds that comprised the campus base budgets. One such body, the UC Commission on the Future (COTF), recommended, subsequent to funding streams, that the University examine the rationale for distributing state General Funds and design a proposal for "an equitable and transparent readjustment of base funding formulas." The need for such a change included concerns about the "considerable disparities" among campuses in per-student funding and "the complexity and opaqueness of the current model." This "readjustment" or reallocation of core State General Funds came to be known as Rebenching.

Rebenching Budget Committee. Provost Pitts and Executive Vice President Brostrom appointed the Rebenching Budget Committee which held its first meeting in April 2011 and deliberated for the better part of year. At its meeting of March 7, 2012, the committee agreed to the recommendations for the rebenching of state General Funds.

¹ There were adjustments to campus General Fund allocations associated with Funding Streams and state General Funds are included on the expenditure side in the calculation of the assessment.

Core principles. The recommendations below are based on the following core principles:

- Unrestricted State General Funds provided to University shall be allocated to the campuses for the purposes of UC's core missions based on the number and type of students they educate.
- UC has a common standard of excellence across its 10 campuses. The state subsidy per student should not depend on the campus a student attends. Thus, the amount of state General Funds allocated per student should be the same for each type of student across all of the campuses.²
- Rather than reducing the state funding provided to any campus, if possible, rebenching should be implemented in a way that seeks to bring all campuses to up to current highest level of per-student funding. This requires additional state funding.
- Graduate education is such an integral part of UC's mission and excellence that it needs to be recognized in any allocation model.

Committee recommendations. Those core principles as well as a number of others are inherent in the recommendations for rebenching adopted by the committee. The following are recommendations agreed to by the committee at its last meeting:

- Initially, UC Merced and UC San Francisco are not included in the rebenching model and adjustments to their State General Fund allocations will occur through different means. The intention is that, as it grows, UC Merced will transition to the funding allocation method recommended here for the other campuses. A determination will need to be made as to when UC Merced begins to be part of the normal rebenching formula. For UCSF, there is a proposal for a corridor for increases and decreases that was not reviewed by this committee. Under the proposed corridor, UCSF would get 100 percent of its share of augmentations for the first two percent increase in State General Funds and then 50 percent of its share for any further increases. UCSF would take 100 percent of its share of any cuts for the first one percent decrease in State General Funds and 25 percent of any decreases beyond the one percent cut.
- Rebenching will be implemented starting with allocations for the 2012-13 fiscal year.
- The transition to a fully-rebenched state General Fund allocation at each campus will occur over six years.
- At full implementation, all campuses are to receive per-student funding equal to the highest campus' per-student average³ (by level – see next bullet)
- Per-student funding is to be distributed on a weighted basis in which undergraduate, postbaccalaureate, graduate professional, and graduate academic master's students are weighted at 1, doctoral students at 2.5, and health sciences students at 5 (except health sciences undergraduate students are at 1 and health sciences academic doctoral students are at 2.5).

² The Academic Senate stated it this way: "The state subsidy per student should not depend on the campus the student attends; this recommendation follows from our core value that UC is one university with one standard of excellence at its ten campuses. The cost of a UC-quality education is the same on every campus, and the campuses should be funded accordingly."

³ The committee did discuss options for implementation that, in the absence of sufficient resources, would prioritize campuses furthest from the rebenching target and/or would rebench to the second highest campus.

- At the undergraduate level, only California resident students will enter into the formula for determining the allocation of state funding in the model. At the graduate level, all students are included.
- Only enrolled students up to a targeted number established in a systemwide enrollment planning process will be included. Students above targets will not be included in the weighting formula.
- For 2012-13, current budgeted enrollment targets⁴ will be the basis for rebenching. A new long-range enrollment plan will be developed over the next year and this plan will be the basis for rebenching enrollment targets in future years.
- There will be a penalty if a campus falls below its undergraduate California resident targets by more than a particular percentage over a particular time frame. For each student below the target, a campus will lose its per-student funding times a multiplier. The tolerance, time frame, and multiplier for assessing the penalty will be determined in implementation. For example, it has been proposed that the penalty be assessed if a campus falls below its target by more than one percent calculated using a three-year rolling average and that the multiplier be 1.5.
- Campuses with academic doctoral student proportions below 12 percent (ratio of Ph.D. to undergraduates) will be provided funding to increase the numbers of such students up to the 12 percent level.⁵
- Campuses are assigned a set-aside of \$15 million in State General Funds prior to application of the weighting formula to recognize fixed costs that every campus has to cover unrelated to the number of students served.
- State General Funds allocated for specific state purposes and restricted to those purposes are funded “off-the top” – that is, these funds are allocated to campus or systemwide budgets prior to application of the weighting formula.⁶
- As determined in Funding Streams, there is a student financial aid self-help contribution policy for resident undergraduate students common across all campuses. Currently, no State General Funds are used for leveling the student work/loan expectations among campuses pursuant to this policy. If state General Funds are used for this purpose in the future, those fund will also be treated as an “off-the-top” and not available for rebenching.

There were a number of issues that the committee left for resolution during implementation, including verification of the figures in the rebenching model.⁷ Two were mentioned above – the appropriate way to allocate state General Funds to UCSF going forward and the timing of the transition of UC Merced to the rebenching formula. Others include:

⁴ 2007-08 budgeted enrollments as adjusted in 2010-11. “Over-enrollment” (students enrolled beyond the budget targets) will not be included.

⁵ The rebenching model includes funding at 12 percent for those campus now below 12 percent; thus, those campuses will realize funding for additional doctoral students as rebenching is phased in over the six years. Funding will be withdrawn for any shortfalls in achieving these numbers at the end of an appropriate phase-in period.

⁶ “Off-the-tops” agreed to by the committee include Agricultural Experiment Station, the Neuropsychiatric Institutes (NPIs) including Mental Health Teaching Support, Scripps Institute, SAPEP, and MIND. Clinical Teaching Support is not included as an “off-the-top” and remains part of the base budget subject to the weighting formula

⁷ There are some discrepancies in the dollar figures for General Fund and “off-the-top” programs that need to be resolved between UCOP and campus budget offices.

- Establishing a method for determining and annually adjusting the appropriate allocations to “off-the-top” programs,
- Determining the appropriate set-aside for SAPEP funds, and
- Refining budgeted enrollment numbers by level.

While the University will need to work out the exact funding scenario through the allocations process, the committee recommends a “waterfall” of funding sources, in which new state funding would be the first source of rebenching funds, followed by savings generated from cuts to central programs, and, in a worst-case scenario in which no new funds are available for rebenching and cuts to campus budgets are necessary, distributing cuts in alignment with the goals of rebenching. However, the group acknowledged the President’s authority to alter this recommended solution in any given year in which circumstances warranted different action.

In the event of new funding from the State, funds would be distributed as follows:

- UC Merced – for enrollment funding according to its Memorandum of Understanding, which currently ends after 2013-14.
- Agreed-upon cost-adjustments to the “off-the-top programs” excluded from the rebenching base.
- To the campuses according to the rebenching targets based on the six-year implementation schedule. Under one state growth scenario, this would account for approximately 20% of any remaining new state funding after the above two categories are funded.
- Any remaining funds would be distributed according to the target General Fund percentages in the rebenching model⁸ in order to increase the dollar amount of state support per weighted student equally across the campuses. This would include UCSF’s distribution (proposal for UCSF described above).

These are the recommendations of the Rebenching Task Force. The President has the authority to take some, all, or none of these recommendations.

Calculations. Attachment A is the spreadsheet representing the latest version of the calculations that show a six-year path to implement the above recommendations. The spreadsheet shows the total amount of new funds that would be necessary to implement rebenching over six years⁹ and how those dollars would flow to each campus under that scenario. Note that it excludes the funding that would be needed for UC Merced and UC San Francisco and assumes no enrollment growth beyond the additional graduate students discussed above. Attachment B is a graph showing dollars per weighted student by campus, the system average, and the rebenching target.¹⁰

⁸ Line S on the 5/4/12 version of the model (Attachment A)

⁹ Assuming no state General Fund cuts

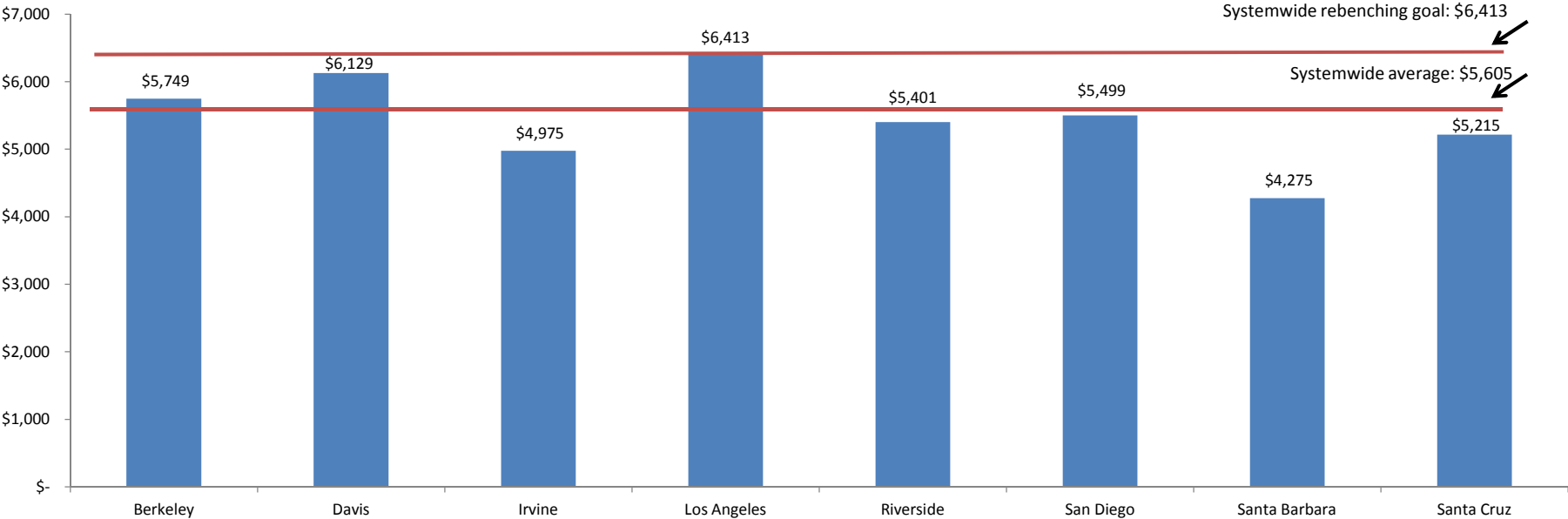
¹⁰ The figures in the attachments will change as the various data elements are verified with the campuses and as implementation decisions are made.

Appendix A

Results will change when data is verified with campuses

	Treatment	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	Systemwide	
A	Budget Adjustments												
	Include benefits in OTTs												
B	State Funds	\$ 282,858,000	\$ 312,560,000	\$ 193,953,000	\$ 398,800,000	\$ 72,800,000	\$ 154,405,000	\$ 236,714,000	\$ 186,936,000	\$ 122,797,000	\$ 116,751,000	\$ 2,078,574,000	
C	General Campus Off-the-top	\$ (24,408,475)	\$ (46,927,717)	\$ (694,000)	\$ (1,068,000)	\$ (725,000)	\$ (26,551,516)	\$ (19,691,660)	\$ (242,000)	\$ (675,000)	\$ (1,790,000)	\$ (122,773,368)	
D	Health Science non-CTS Off-the-tops	\$ -	\$ (3,357,727)	\$ -	\$ (30,762,766)	\$ -	\$ -	\$ -	\$ (10,088,550)	\$ -	\$ -	\$ (44,209,042)	
E	Clinical Teaching Support Off-the-top	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
F	Fixed Cost Set-aside	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (150,000,000)	
G	Subtotal (B:F)	\$ 243,449,525	\$ 247,274,556	\$ 178,259,000	\$ 351,969,234	\$ 57,075,000	\$ 112,853,484	\$ 202,022,340	\$ 161,605,450	\$ 107,122,000	\$ 99,961,000	\$ 1,761,591,590	
H	Health Science Budget	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
I	Adjusted campus base budget (G + H)	\$ 243,449,525	\$ 247,274,556	\$ 178,259,000	\$ 351,969,234	\$ 57,075,000	\$ 112,853,484	\$ 202,022,340	\$ 161,605,450	\$ 107,122,000	\$ 99,961,000	\$ 1,761,591,590	
<u>Current Dollars per Student</u>													
J	Unweighted Enrollment	All State-supportable	31,376	29,390	27,444	35,672	4,765	17,878	27,434	3,784	21,480	16,060	215,283
K	% of Systemwide Total (Campus J / System J)	14.6%	13.7%	12.7%	16.6%	2.2%	8.3%	12.7%	1.8%	10.0%	7.5%		
L	Dollars per Student (I/J)	\$ 7,759	\$ 8,414	\$ 6,495	\$ 9,867	\$ 11,978	\$ 6,312	\$ 7,364	\$ 42,708	\$ 4,987	\$ 6,224	\$ 8,183	
M	Difference from Mean (Campus L - System L)	\$ (424)	\$ 231	\$ (1,688)	\$ 1,684	\$ 3,795	\$ (1,871)	\$ (819)	\$ 34,525	\$ (3,196)	\$ (1,959)		
<u>Funds available to rebench</u>													
N	Adjusted campus base budgets (I except MC & SF = 0)	\$ 243,449,525	\$ 247,274,556	\$ 178,259,000	\$ 351,969,234	\$ -	\$ 112,853,484	\$ 202,022,340	\$ -	\$ 107,122,000	\$ 99,961,000	\$ 1,542,911,140	
<u>Enrollment Options</u>													
O	Graduate Growth to UC average	12.0%											
P	Population to weight	All State-supportable											
Q	Weighting Scheme*	Custom											
R	Weighted Enrollment	42,348	40,344	35,832	54,883	N/A	20,895	36,741	N/A	25,055	19,168	275,266	
S	% of Systemwide Total (Campus R / System R)	15.4%	14.7%	13.0%	19.9%	N/A	7.6%	13.3%	N/A	9.1%	7.0%	100.0%	
T	Campus funds on equal per-student distr. (System N * Campus S)	\$ 237,367,495	\$ 226,134,746	\$ 200,844,245	\$ 307,628,229	N/A	\$ 117,119,907	\$ 205,939,339	N/A	\$ 140,437,390	\$ 107,439,788	\$ 1,542,911,140	
U	Change in State Funds: Dollars (T - I)	\$ (6,082,030)	\$ (21,139,810)	\$ 22,585,245	\$ (44,341,005)	N/A	\$ 4,266,423	\$ 3,916,999	N/A	\$ 33,315,390	\$ 7,478,788	\$ 0	
V	Change in State Funds: Percentage (U/I)	-2.5%	-8.5%	12.7%	-12.6%	N/A	3.8%	1.9%	N/A	31.1%	7.5%		
W	Dollars per Weighted Student (T/R)	\$ 5,605	\$ 5,605	\$ 5,605	\$ 5,605	N/A	\$ 5,605	\$ 5,605	N/A	\$ 5,605	\$ 5,605		
X	New Funds Needed (W, or if W is negative, 0)	\$ -	\$ -	\$ 22,585,245	\$ -	N/A	\$ 4,266,423	\$ 3,916,999	N/A	\$ 33,315,390	\$ 7,478,788	\$ 71,562,845	
<u>Bottom line of Hybrid model</u>													
Y	Resultant Dollars on Campus (the greater of N or T)	\$ 243,449,525	\$ 247,274,556	\$ 200,844,245	\$ 351,969,234	N/A	\$ 117,119,907	\$ 205,939,339	N/A	\$ 140,437,390	\$ 107,439,788	\$ 1,614,473,985	
Z	Resultant Dollars per Weighted Student (Y/R)	\$ 5,749	\$ 6,129	\$ 5,605	\$ 6,413	N/A	\$ 5,605	\$ 5,605	N/A	\$ 5,605	\$ 5,605	\$ 5,865	
Z1	Dollars per weighted student (unadjusted)	\$ 5,749	\$ 6,129	\$ 4,975	\$ 6,413	N/A	\$ 5,401	\$ 5,499	N/A	\$ 4,275	\$ 5,215		
AA	Difference from Mean (Campus Z - System Z)	\$ (116)	\$ 264	\$ (260)	\$ 548	N/A	\$ (260)	\$ (260)	N/A	\$ (260)	\$ (260)		
AB	Resultant Dollars per Weighted Student (rank of Z)	3	2	4	1	N/A	4	4	N/A	4	4		
AC	Bring those below up to #	1											
AD	Rebenching target (per weighted student)	\$ 6,413	\$ 6,413	\$ 6,413	\$ 6,413	N/A	\$ 6,413	\$ 6,413	N/A	\$ 6,413	\$ 6,413		
AE	Resultant campus budget (R * AD)	\$ 271,581,239	\$ 258,729,420	\$ 229,793,590	\$ 351,969,234	N/A	\$ 134,001,369	\$ 235,623,082	N/A	\$ 160,679,794	\$ 122,925,975	\$ 1,765,303,704	
AF	Resultant dollars needed (AE - N)	\$ 28,131,714	\$ 11,454,864	\$ 51,534,590	\$ -	N/A	\$ 21,147,885	\$ 33,600,742	N/A	\$ 53,557,794	\$ 22,964,975	\$ 222,392,564	
AI	Redistribution timeframe--years	6											
	2012-13	\$ 4,688,619	\$ 1,909,144	\$ 8,589,098	\$ -	N/A	\$ 3,524,648	\$ 5,600,124	N/A	\$ 8,926,299	\$ 3,827,496	\$ 37,065,427	
	2013-14	\$ 4,688,619	\$ 1,909,144	\$ 8,589,098	\$ -	N/A	\$ 3,524,648	\$ 5,600,124	N/A	\$ 8,926,299	\$ 3,827,496	\$ 37,065,427	
	2014-15	\$ 4,688,619	\$ 1,909,144	\$ 8,589,098	\$ -	N/A	\$ 3,524,648	\$ 5,600,124	N/A	\$ 8,926,299	\$ 3,827,496	\$ 37,065,427	
	2015-16	\$ 4,688,619	\$ 1,909,144	\$ 8,589,098	\$ -	N/A	\$ 3,524,648	\$ 5,600,124	N/A	\$ 8,926,299	\$ 3,827,496	\$ 37,065,427	
	2016-17	\$ 4,688,619	\$ 1,909,144	\$ 8,589,098	\$ -	N/A	\$ 3,524,648	\$ 5,600,124	N/A	\$ 8,926,299	\$ 3,827,496	\$ 37,065,427	
	2017-18	\$ 4,688,619	\$ 1,909,144	\$ 8,589,098	\$ -	N/A	\$ 3,524,648	\$ 5,600,124	N/A	\$ 8,926,299	\$ 3,827,496	\$ 37,065,427	

Appendix B:
Rebenching Model Results: dollars per "weighted" student



These values are State General Funds per "weighted" student based on the formula in the rebenching model. The values are not related to the actual costs or expenditures for instruction since the model only accounts for a portion of one revenue source. It does not take into account other State General Funds, other revenue sources, actual expenditures, budget cuts, or over-enrollment.