Report Received by Executive Council

May 18, 2017

RACHAEL GOODHUE, Chair
Davis Division of the Academic Senate

Dear Chair Goodhue,

Please find enclosed the final report from the Academic Senate Administrative Growth Task Force. The Task Force was charged by the Academic Senate Executive Council with investigating administrative growth at UC Davis, as well as the growth rate of administration in comparison to other sectors of the campus. This final report has been reviewed and endorsed by the task force members listed in the report.

Sincerely,

Linda F. Bisson, Chair
Academic Senate Administrative Growth Task Force

Cc: Edwin Arevalo, Executive Director, Davis Division of the Academic Senate

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Report of the Academic Senate Administrative Growth Task Force

Final Draft Submitted to the Executive Council
May 2017

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Executive Summary

The Administrative Growth Task Force was charged with analyzing the relative growth in administrative versus undergraduate academic units (the undergraduate colleges). The Task Force evaluated expenditure data over the seven year period from 2009-2010 to 2015-2016. The analysis established the following findings.

- The Provost Office budget increased from a 2.4% share of total campus expenditures to 3.4%, a 41.7% increase over the 7 year period. The Chancellor's Office budget increased from 1.1% to 1.6% as a share of the total campus expenditures, a 45% increase over the 7 year period. The Colleges total share of expenditures increased by 1.3% (from 39.7% in 2009-10 to 41% in 2015-2016) over this same 7 year period.

- Staff positions in colleges declined by 58. Staffing numbers grew by 226 overall for the administration.

- The greatest increase in budgetary expenditures for all units was in the category of benefits. For colleges, because the number of positions declined slightly, the small increase in spending reflects slightly higher average salary and benefits. The increase in college budgets therefore seems mostly directed at maintaining status quo although there are some exceptions of greater growth in the lecturer category and in the "other" category for some units. The growth in the "other" category was 41-47% for CAES, HArCS and DSS, 63% for CBS and MPS and 180% for COE. The "other" category includes renovation expenses and start up packages as potentially the strongest cost drivers of differential increases.

- The fund source showing the greatest percent increase over this period was the category of student fees. The student body increased by 3,661 and undergraduates represented 96% of this growth. In comparison, the change in doctoral candidate populations was 36, less than 1% of the total growth.

- During this same period, there was a net decrease of 23 positions for ladder rank faculty (-2.4%). The faculty-lecturer category increased by 66 positions.

Based on the above findings, the Task Force has some concerns and makes consequent recommendations.

- The differential rate growth in expenditures described above may be symptomatic of structural and organizational problems. When growth in upper management occurs without corresponding downstream resource allocations it can cause downstream mission reprioritization in an unplanned and non-uniform manner. Because upper management directs actions of those downstream (data collection, data entry, reporting, compliance, etc.) seemingly small changes in the size of upper management can have profound impacts throughout the institution via a ripple effect of workload amplification.

- The Task Force was not able to obtain administrative unit organizational charts for the period. Administrative growth should be documented clearly and executed conservatively.

- It is possible that some of the increase in administration occurred to meet the challenge of unfunded mandates and regulations. For example, changes in Undergraduate Education may reflect increases in resources and management of directives from the recent WASC accreditation review. Compliance changes may also be another key mandate, particularly for units like Student Affairs. However, greater transparency is needed in adoption of unfunded mandates, as funding sources are often restricted in use and the campus lacks flexibility to avoid structural deficits. When faced with such mandates, the campus should consider fiscal and mission consequences while identifying an administrative response. This may require a thorough review of funding allocations, business practices and costs of doing business from the departments on up.

- The Task Force fully appreciates the challenges and difficulty of our recommendations to get our fiscal house in order but concludes we will be better off for having done so. Administrative units should develop mechanisms of assessment of fiscal prudence or reasonableness of cost of business of and for their unit. Policies for administrative decision making and review of administrative units do not appear to contain a fiscal evaluation. Such evaluation should be stipulated in both of these policies. This fiscal evaluation has to be holistic and take into consideration consequences to other units, particularly in cases of potential unfunded mandates. In addition fiscal decisions should be reviewed to ascertain if they have met the intended goals of efficiency and effectiveness. We should have sound measurable financial goals and track pre and post costs of operations following organizational changes. We need to generate, assess and then act upon our own data.

Part of the charge to the Task Force was the evaluation of the factors responsible for differential rate growth in administration. In order to do so administrative unit organizational charts were requested for each year of the fiscal analysis. However, unfortunately these charts were not available as they are not routinely saved as growth and reorganization occurred. At the end of the report we offer thoughts on the factors that likely drive the differential rate administrative growth, but suggest that organizational charts be saved yearly, perhaps captured every October as a component of the headcount data.

Introduction

The Task Force on Administrative Growth was created by the Academic Senate Executive Council in response to concerns raised about the rate of administrative growth at UC Davis relative to the core instructional mission of the campus. Executive Council approved the formation of a Task Force to investigate administrative growth at UC Davis, as well as the growth rate of administration in comparison to other sectors on the campus. The Task Force was further charged with determining what factors may contribute to any questioned administrative growth. Task Force Chair Bisson and Academic Senate Chair Knoesen met with Acting Provost Burtis to discuss the scope of the analysis. We agreed to evaluate the time period since the last Administrative Growth Report (completed in 2008). It was decided that expenditure information from a seven year fiscal time span (fiscal years 2009-10 through-2015-16) would be provided to the Task Force. Budgetary information was broken down by salary, benefits and “other” as well as by fund source. The fund sources included were: state funds and tuition, ICR, student fees, grants and contracts, gifts and endowments, recharges, auxiliary and “other”. Data were obtained for all units within the administration. However, some units/fund sources were not considered in our analysis if the unit was primarily supported by non-core funds such as student fees for specific services (Athletics) but were included in the analysis of student fee expenditures. University Extension, listed as an administrative unit, was not considered in the general totals since this group is self-supporting. Also only state funds were considered for the Mondavi Center and not expenditures related to performance income.

Aggregate data for each college was also obtained. Instructional funding was defined as non-grant and contract funds expended by the undergraduate colleges. We focused on expenditures reports for the end of each fiscal year (2010-1026 in the tables, graphs and charts). Student enrollment data and faculty and staff numbers were also obtained for each year. In addition in the course of our analyses several questions were asked of BIA for which prompt responses were always received. For assessments of growth and comparisons of instructional expenditures in colleges to that of the administration, grant and contract funding was not considered for the colleges and ORUs not considered for the administration as these are tangential to instructional costs. Since instruction is largely funded by state funds and tuition, this category was analyzed as part of the total and separately to assess patterns of growth. We thank the office of Budget and Institutional Analysis (BIA) for their assistance in providing expenditure data and information in a timely and thorough manner and appreciate the time and effort required to support the work of this Task Force.

Data Analysis and Limitations

Administrative units were divided into three categories for the analysis: Chancellor's Office, Provost's Office and General Administration by BIA. These divisions were further broken down by specific administrative offices to enable full assessment of growth across the category as well as within specific units (Table 1). Unit Budgets were analyzed as direct nominal dollars expended, percent of total direct nominal dollars expended, and as percent growth over the previous year's expenditures. Growth in nominal dollars was compared to growth in students, undergraduate and graduate, as well as in faculty (Senate and Federation) and staff. Finally, since we were directed to focus our analysis on a comparison of administrative growth to the core instructional mission we did not consider expenditures for any of the professional schools. As a consequence funds expended by those units for education of graduate and non-professional students were not included in the analysis.

Table 1. Organization of Budgetary Units

Colleges	**Chancellor's Office**	**Provost's Office**	**General Administration**
Agricultural and Environmental Sciences	Community Relations	Academic Affairs	Development
Biological Sciences	General Counsel	Academic Senate	Finance, Operations and Administration
Engineering	Internal Audit	Global Affairs	Graduate Studies
Humanities, Arts and Cultural Studies	Other	Mondavi Center	Information and Educational Technology
Mathematics and Physical Sciences	World Food Center	Other	Library
Social Sciences		Undergraduate Education	Student Affairs
			Office of Research (non-(ORU)
			Office of Research (ORUs)

There were certain challenges with this analysis. The first was due to two events that occurred during this seven year fiscal period: (i) the systemwide change and normalization to career tracks and (ii) the State-mandated salary gender equity evaluation and adjustment. These events may have led to differential budgetary changes or staffing growth in certain categories for some units. However we assumed the effects of these changes would be minor and more or less random. Second, this analysis focused on expenditures only and did not take into account that funds expended may have been received in a prior fiscal year. Therefore funds expended does not necessarily mean total funds acquired in that given year for that fund category or unit. This is important particularly when considering grant and donation/endowment expenditures. Third, for many units the “other” category was a significant component of the unit budget (greater than 20%) and included a wide variety of costs lumped together, such as remodeling, debt service, operational costs, consultants, equipment upgrades, etc. The Task Force would have preferred a further breakdown of these funds but given time constraints and the challenges of that task for BIA we opted to only receive such a breakdown for the Office of the Chancellor. Fourth, some expenditure increases, especially for the Office of the Provost, may be for incentives, initiatives and centers that are largely housed in the colleges but funded from the Office of the Provost (for example funds associated with CAMPOS Scholars). The Task Force only considered the unit of expenditure not the final outcome or impact of those expenditures. Thus some administrative expenditures might directly support the instructional mission of the campus but the Task Force was unable to tease out that level of detail. Finally some dollars are considered twice in this analysis and therefore totaling up expenditures might exceed allocations in specific circumstances. For example, college expenditures may appear as recharge income against which expenses were levied for an administrative unit. These were counted twice in totals first as expenditures for the college and then again as expenditures for the administrative unit. We were comfortable with this situation since the recharges support the college’s instructional mission but also may be indicative of administrative growth.

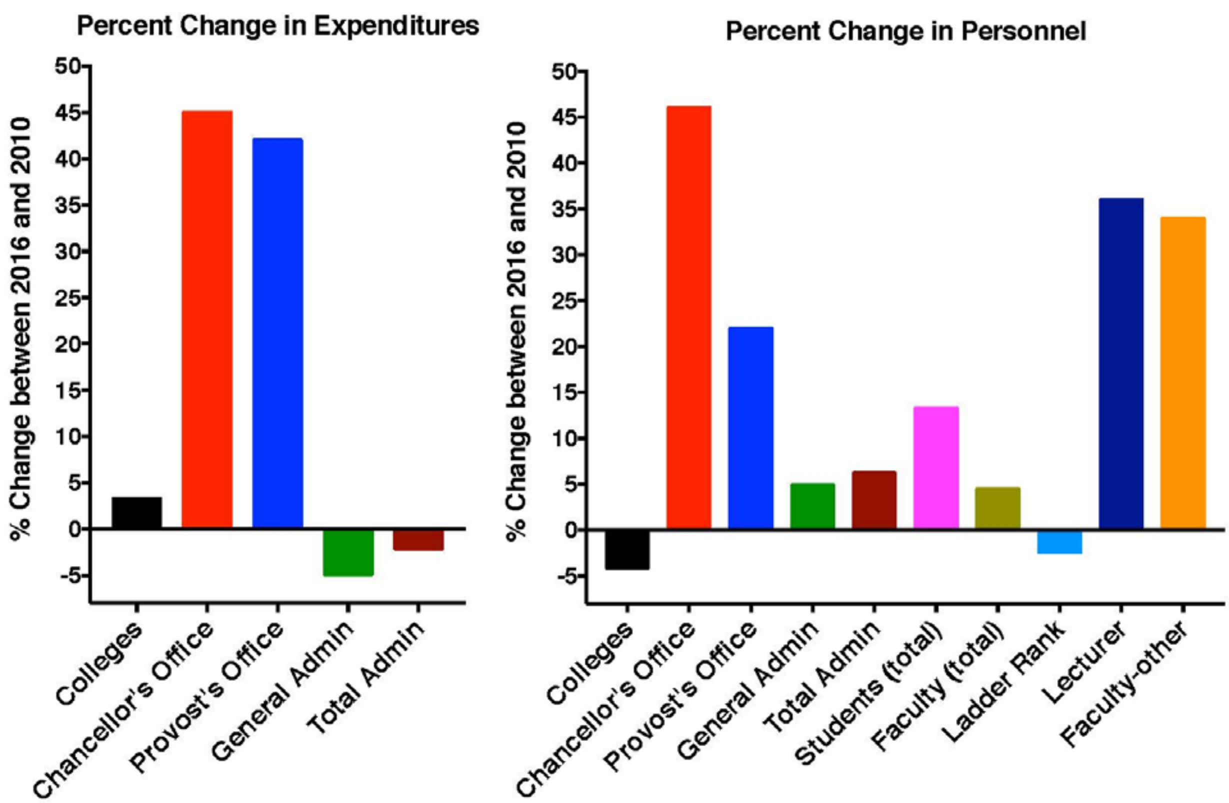
The Task Force quickly realized that, although we had expenditure information, determining if costs of units or operations were reasonable was difficult. UCDPPM 200-30 directs administrative units to focus on efficiency and effectiveness and to set agreed upon goals. This seems to emphasize delivery of services and customer satisfaction but it was difficult to determine if this directive also extended to fiscal efficiency and effectiveness. We understand that response time and excellence of service are qualitative terms and that both will increase if more funds are invested in a unit but this may unnecessarily drive up administrative costs if fiscal prudence, defined as differentiating between what is necessary and essential and what is desirable but non-essential, is not taken into account. This issue is addressed in our recommendations.

Summary of Findings and Trends Driving Administrative Growth

1. **Greater expenditure and staffing growth in administrative units is supported by analysis of the percent change in budgets over the seven year period.**

Over the seven year period, the share of campus funds spent by different units changed. The share of the Provost's Office increased 41.7% (from 2.4% to 3.4% of total funds); the share of the Chancellor's office increased by 45% (from 1.1% to 1.6%); that of Colleges increased 1.3%. These increases were at the expense of a decrease in the share of General Administration expenditures over this same period, a reduction of 2.8% from the 2010 level of 56.8%. The overall campus budget (not including grants and contracts or Mondavi Center or athletics revenues) grew by a total of 47% (by roughly 370 million dollars).

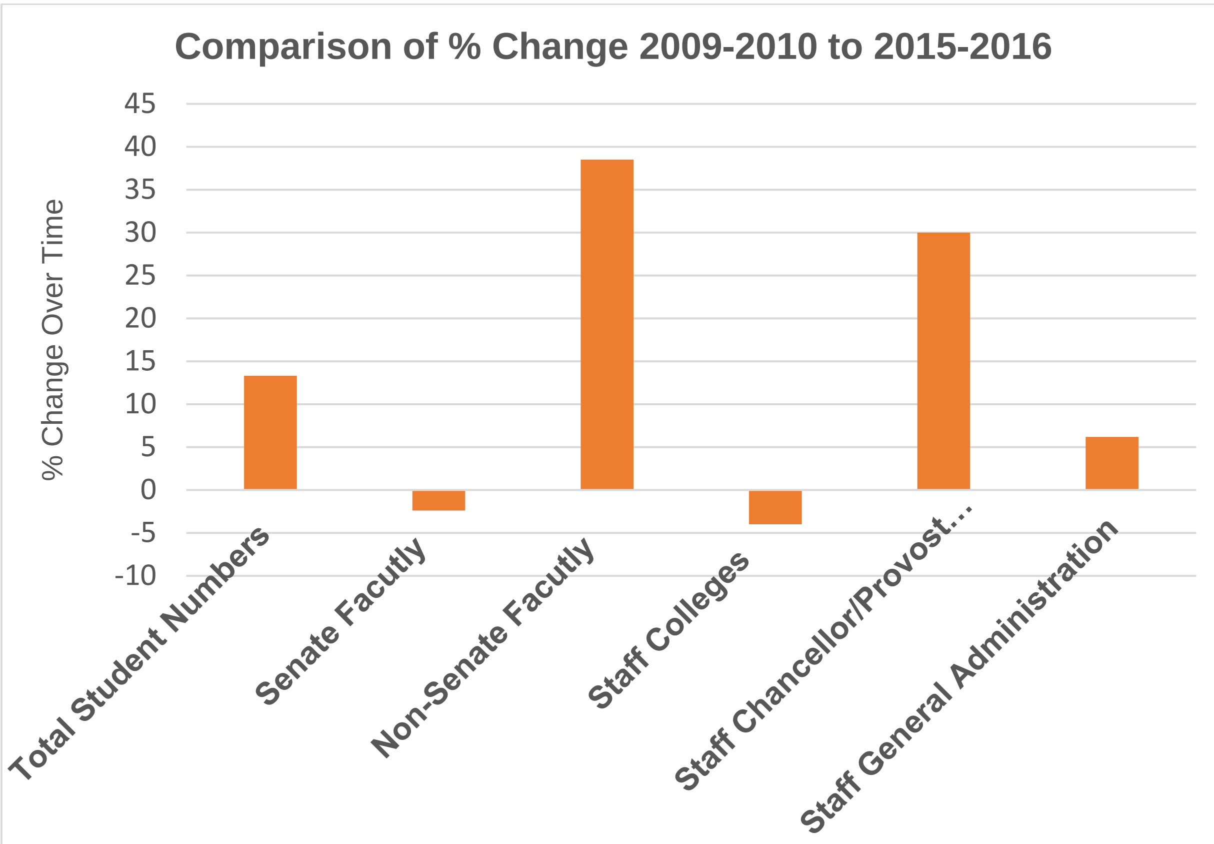
Figure 1. Percent change in percentage of total funds expended (Panel A) and in percent personnel over the seven year period (Panel B)



On the left hand panel the change in percent of percent total expenditures between 2010 and 2016 is shown (data from Table 2). The right panel shows the percent change in staff positions over this same period. The Chancellor's and Provost's Offices show the greatest growth in both expenditures and personnel. With respect to the colleges, growth in budget was almost flat, but total staffing decreased, although this varied by the college. For faculty titles, ladder rank (tenure track) faculty numbers decreased over this period while lecturer and faculty-other grew. This suggests that the response to the 2020 initiative was to hire more lecturers to accommodate the increased numbers of students entering the University.

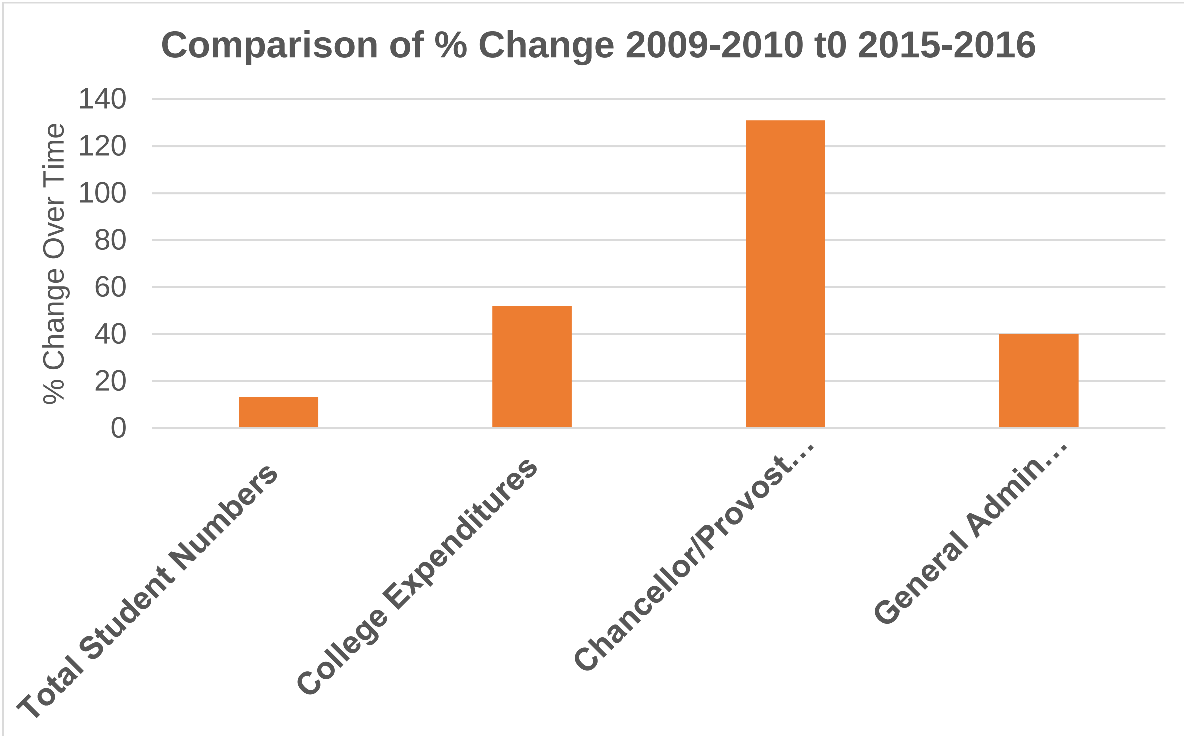
In the seven year period under review, the expenditure budget of the Chancellor's Office grew by 118% and that of the Provost Office by 103% compared to 40 % for the General Administration and 52% for the colleges. For state funds the % growth was 85% for the Chancellor's Office and 85% for the Provost's Office, 18% for General Administration and 44% for the Colleges.

Figure 2. Percent change in staffing from 2009-2010 to 2015-2016 compared to percent change in total student numbers



Non-Senate faculty excludes titles in the Health Sciences. Growth in the faculty-lecturers payroll category was 36.2% and is included in the non-Senate faculty tally.

Figure 3. Percent change in expenditures from 2009-2010 to 2015-2016 compared to percent change in total student numbers



Growth occurred across all expenditure categories for the Chancellor's Office, with large changes in the "other" category (Figure 4). The percent change per year was also tabulated (Figure 5).

Figure 4. Change in total expenditures for the Chancellor's Office

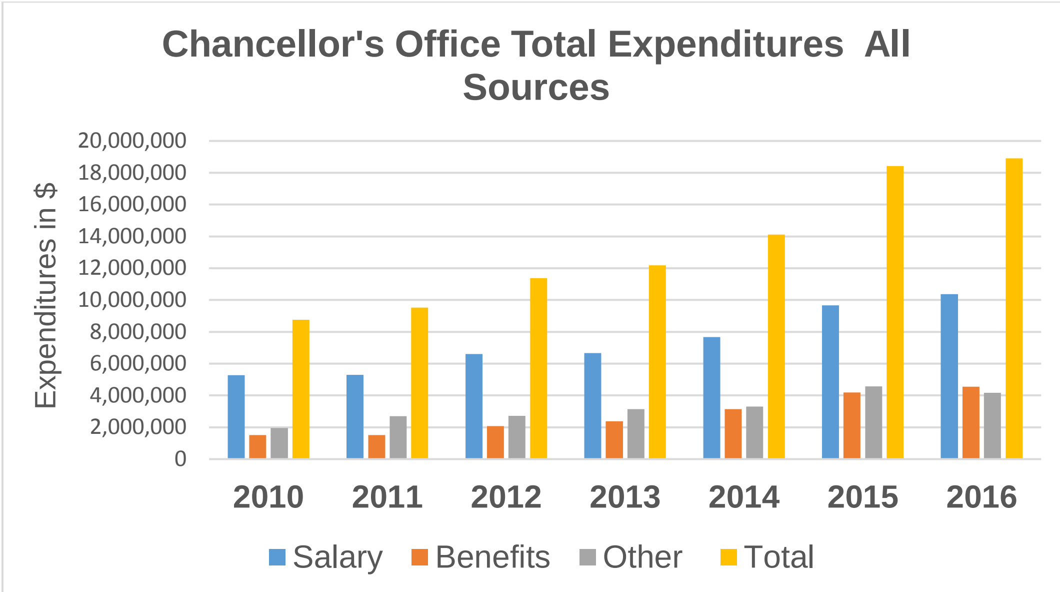
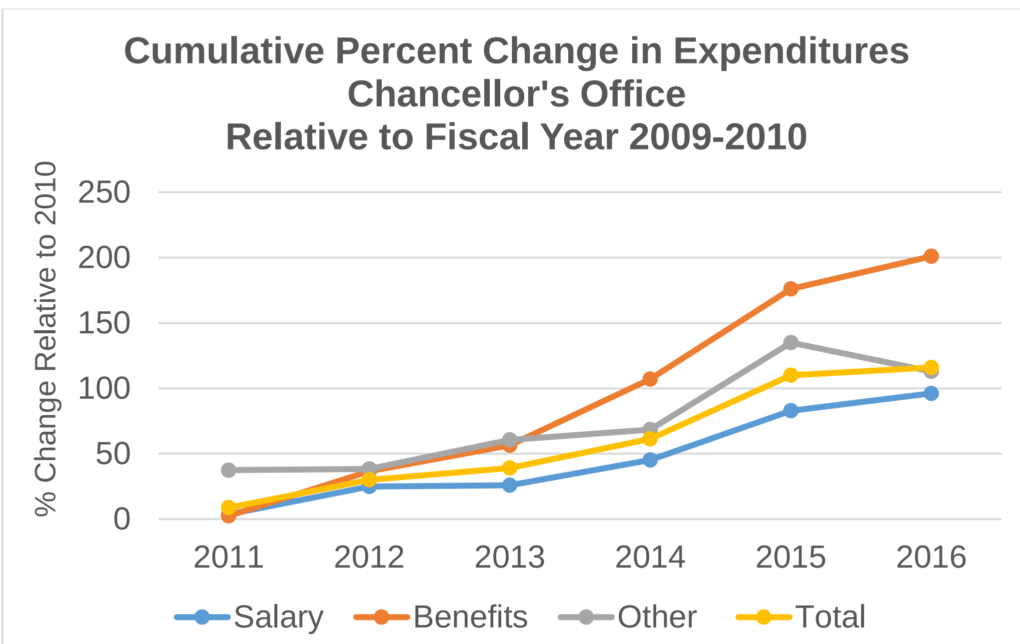


Figure 5. Cumulative percent change in expenditures relative to fiscal year 2009-2010



Similarly the Provost's Office also grew in all categories with growth relatively consistent across all categories.

Figure 6. Change in total expenditures for the Provost's Office

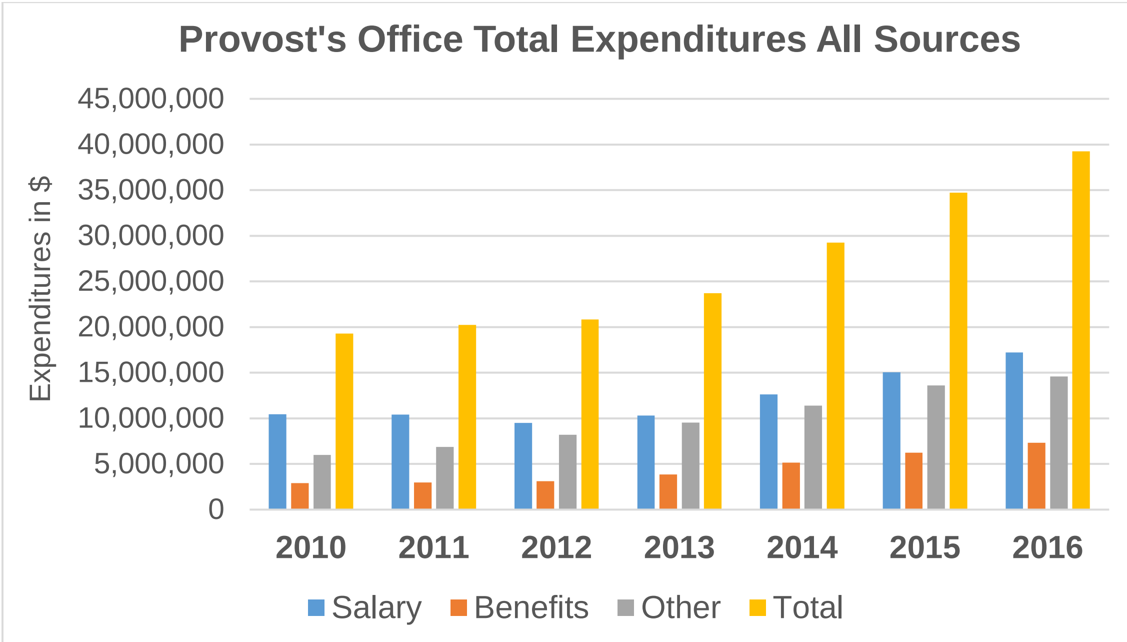
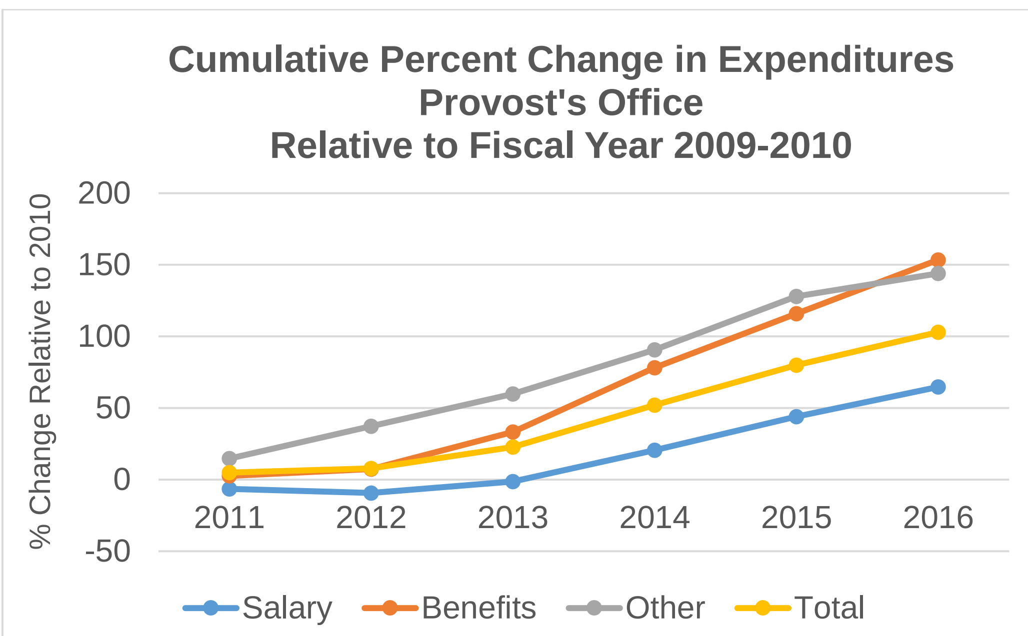
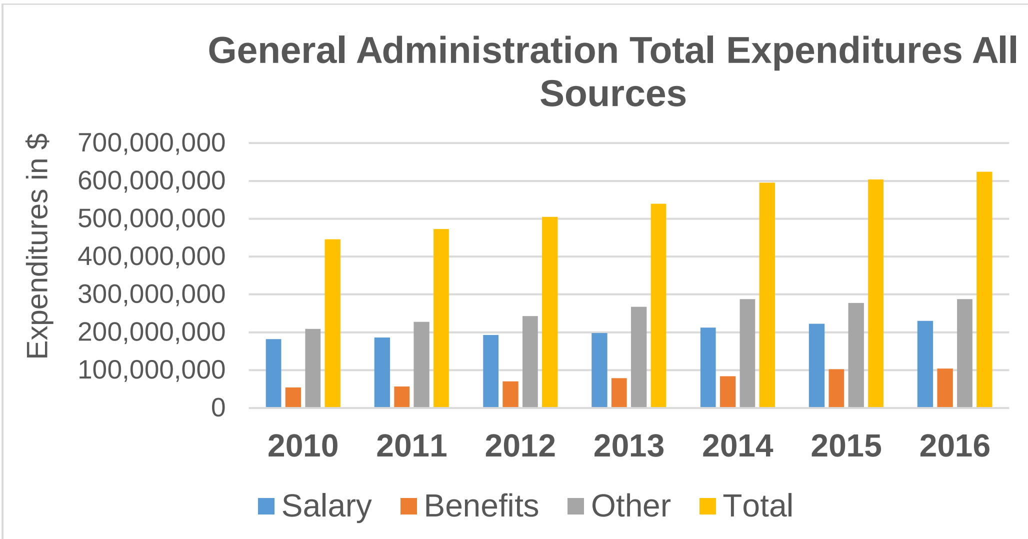


Figure 7. Cumulative percent change in expenditures for the Provost's Office relative to fiscal year 2009-2010



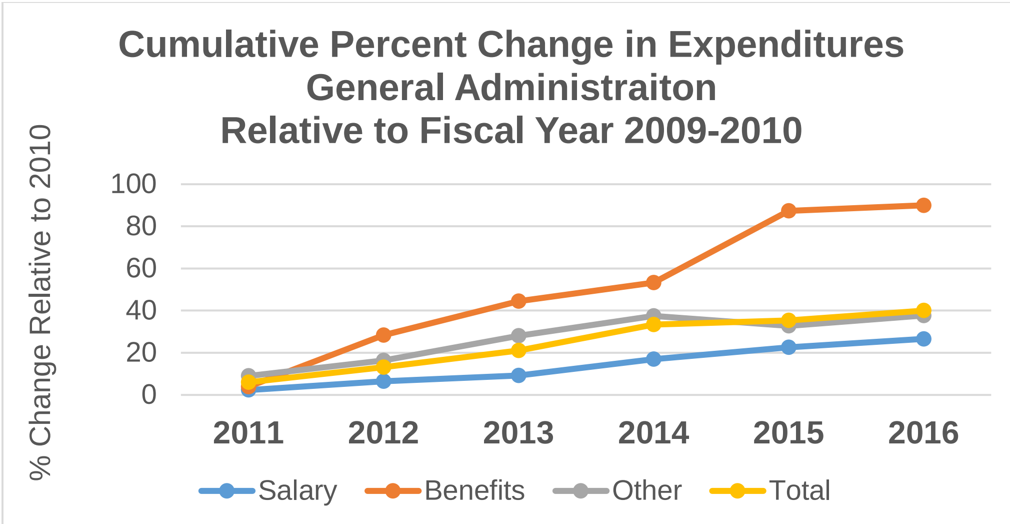
Growth in the General Administration expenditures was largely driven by changes in benefits. The change in salaries was likely impacted by two directives: the movement of staff to the career tracks system and the salary equity analysis and adjustment by gender in addition to cost of living increases.

Figure 8. Growth in expenditures for general administration units



Changes in the expenditures of the colleges largely reflect changes in benefits with increases in salary in the later years and sporadic growth in “other” which may reflect expenditures for remodeling/renovation of space and start-up costs covered by college budgets. However, we did not have the level of expenditure detail needed to determine the nature of the expenditures.

Figure 9. Cumulative percent change in expenditures for general administration relative to fiscal year 2009-2010



The same analysis was conducted for the undergraduate colleges.

Figure 10. Growth in expenditures for undergraduate colleges

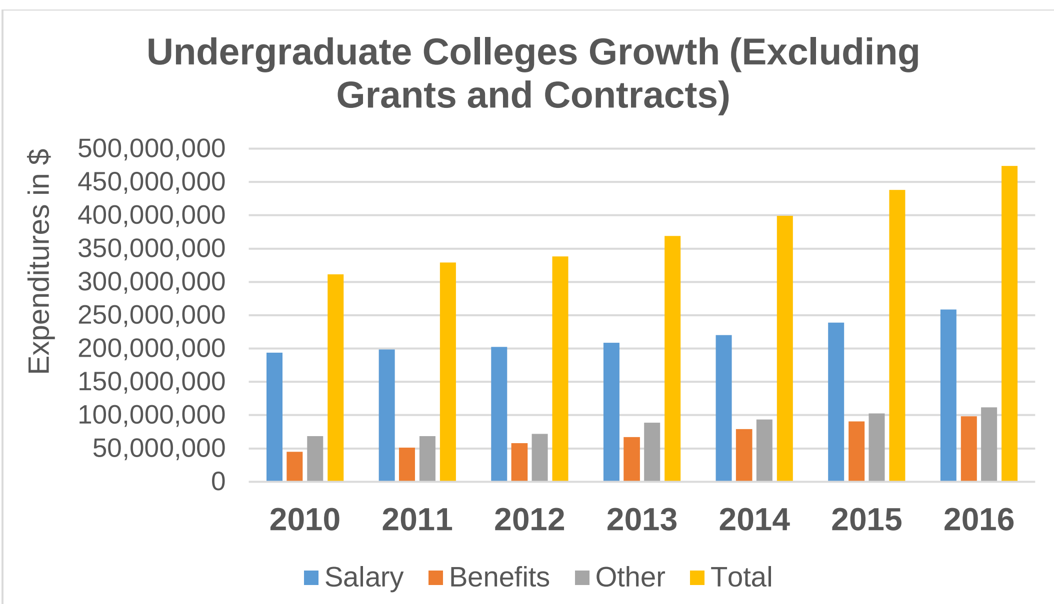
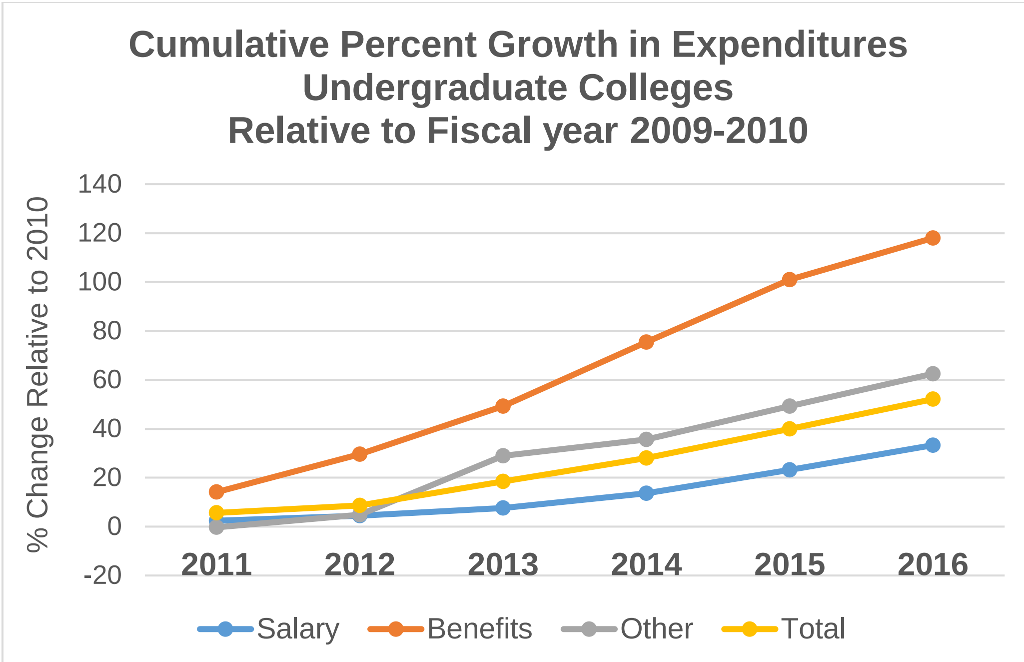


Figure 11. Cumulative percent change in college expenditures relative to fiscal year 2009-2010



2. **Expenditures as a percent of total budget grew for Colleges and Offices of the Chancellor and Provost and shrank for General Administration.**

Over the seven year period, the total expenditures by colleges as a percentage of total expenditures grew by 1.3% and that for the Chancellor's and Provost's Offices by 0.5 and 1.0% respectively. These increases were accompanied by a decrease for the total General Administration expenditures over this same period, -2.8%. The overall campus budget (not including grants and contracts or Mondavi Center or athletics revenues) grew by a total of 47% (by roughly 370 million dollars). Thus growth in overall expenditures was distributed across the units (Table 2).

Table 2. Percent of Total Expenditures by Unit

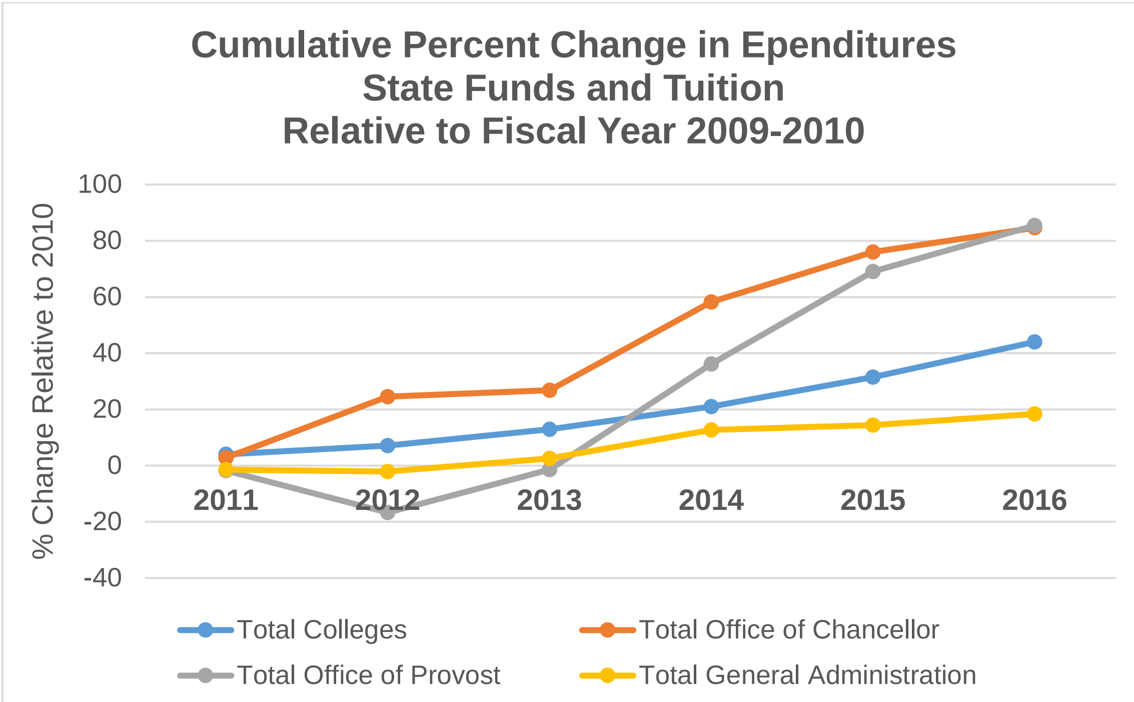
Year	Colleges	Chancellor's Office	Provost's Office	General Administration	Total Administration
2010	39.7	1.1	2.4	56.8	60.3
2011	39.1	1.1	2.4	57.4	60.9
2012	38.7	1.2	2.4	57.7	61.3
2013	39.1	1.3	2.5	57.1	60.9
2014	38.5	1.4	2.8	57	61.5
2015	40	1.6	3.2	55.2	60
2016	41	1.6	3.4	54	59

State and tuition expenditures showed a similar trend with more growth in expenditures of this fund source for the colleges (Table 3). Again growth in this fund source is slight compared to the overall expenditures for these units. For total expenditures the split between colleges and administration is roughly 40:60, but for state and tuition funds that split is 60:40. The percent share of the total expenditures for state dollars and tuition grew by 3.4% for the colleges, 0.4% for the Office of the Chancellor, 0.9% for the Office of the Provost and decreased by 4.7% for General Administration.

Table 3 Percent of State Funds and Tuition Expenditures by Unit

Year	Colleges	Chancellor's Office	Provost's Office	General Administration	Total Administration
2010	61	1.3	2.3	35.4	39
2011	62.2	1.3	2.2	34.3	37.8
2012	63.1	1.5	1.9	33.5	36.9
2013	63.1	1.5	2.1	33.3	36.9
2014	62.1	1.7	2.7	33.5	37.9
2015	63.2	1.8	3.1	31.9	36.8
2016	64.4	1.7	3.2	30.7	35.6

Figure 12. Cumulative percent change in expenditures for state funds and tuition by unit relative to fiscal year 2009-2010



3. Growth occurred in all fund sources.

Budget categories considered in this analysis included state funds and tuition, total grants and contracts, gifts and endowments and student fees. The graph below indicates that overall there was growth in expenditures for each category with the highest percent growth in student fees. Gift and endowment expenditures also grew steadily. Growth in state funds and tuition also occurred with the most growth occurring in the last 3 years.

Figure 13. Total state funds and tuition expenditurs by year

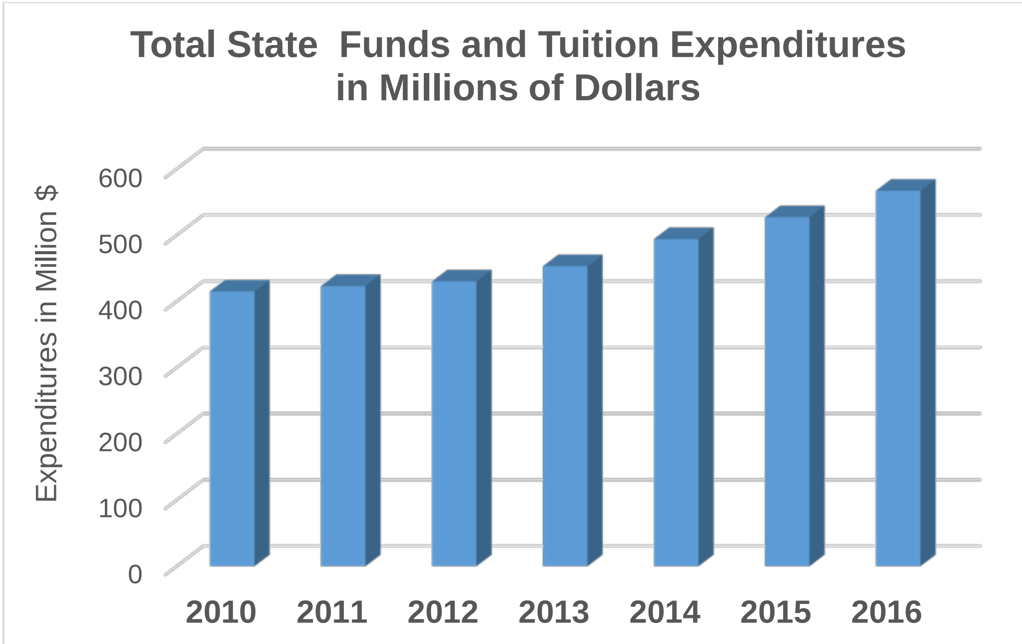


Figure 14. Total gift and endowment expenditures by year

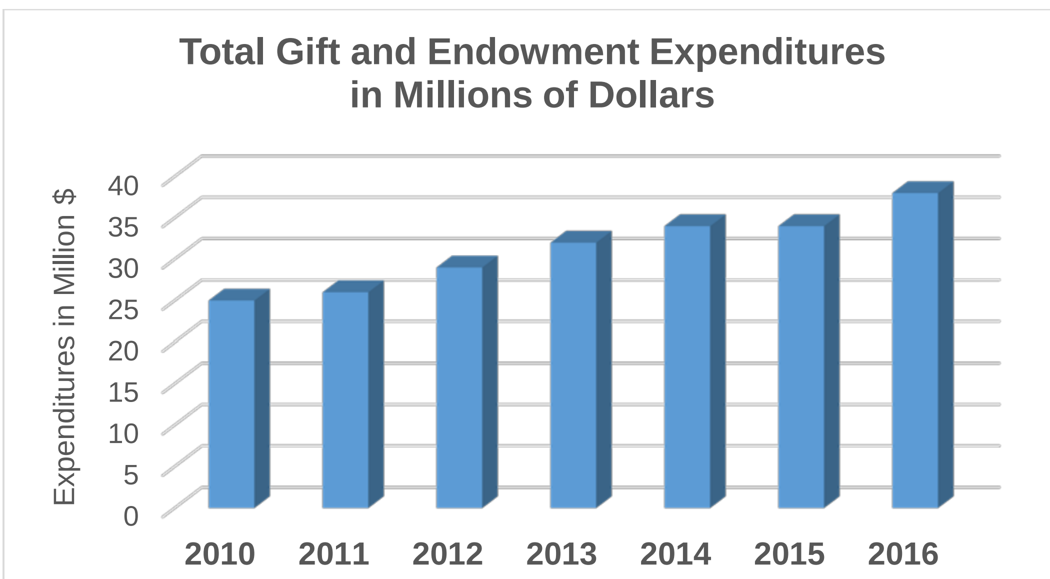


Figure 15. Total grants and contracts expenditures by year

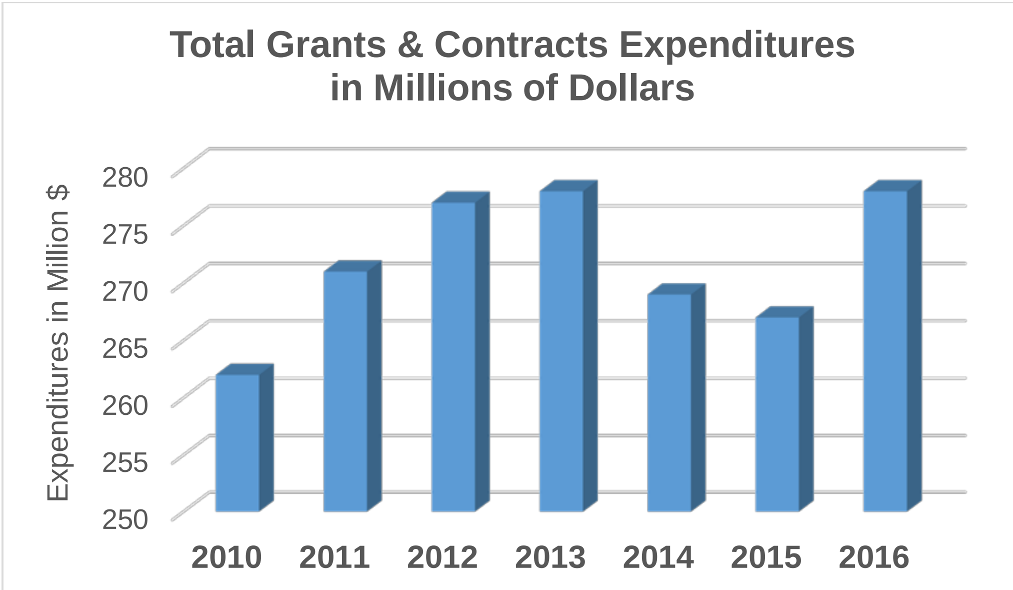
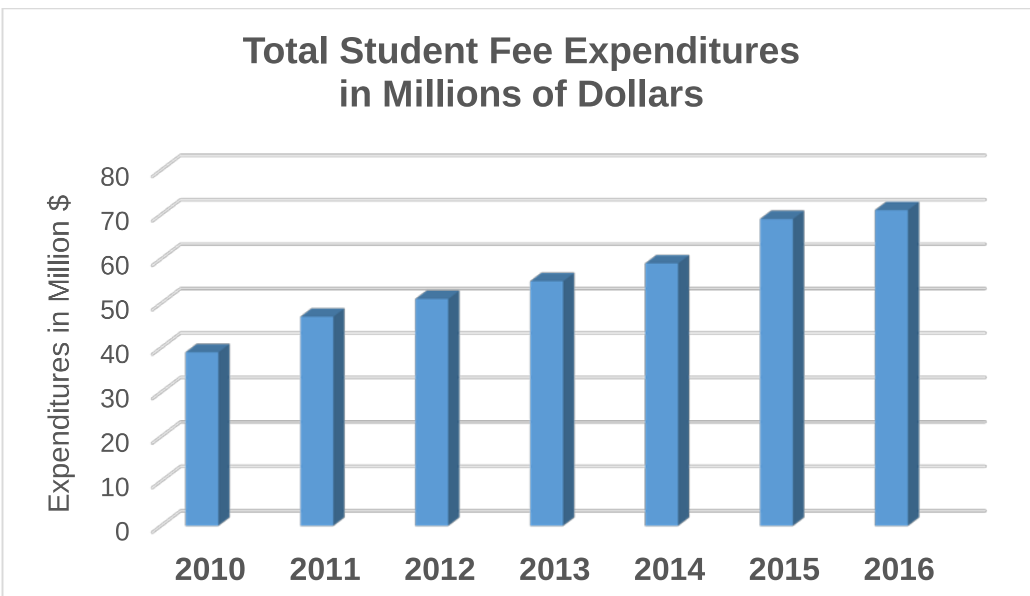
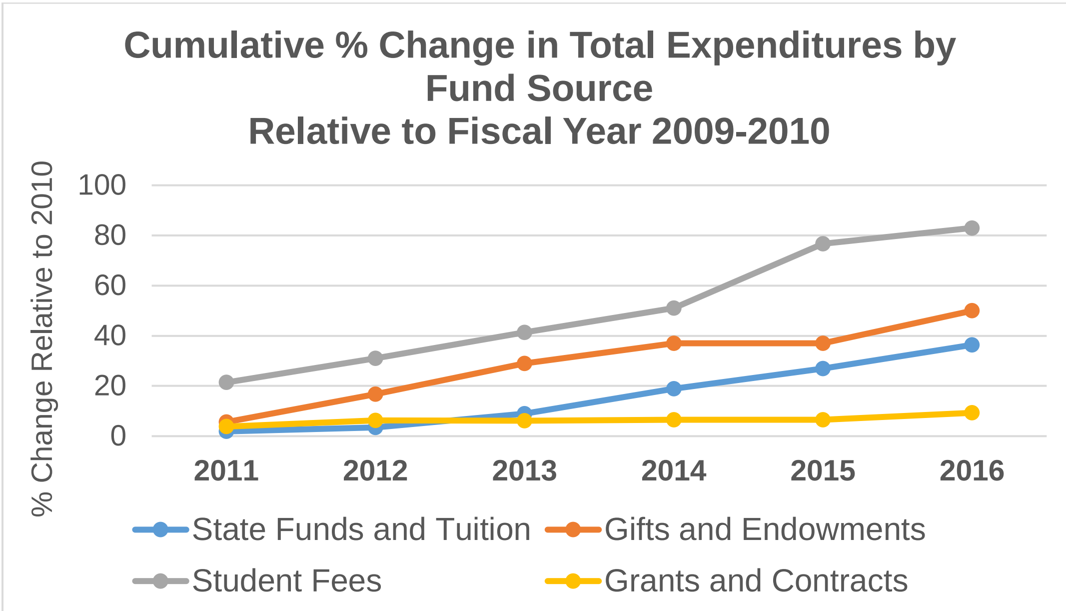


Figure 16. Total student fee expenditures by year



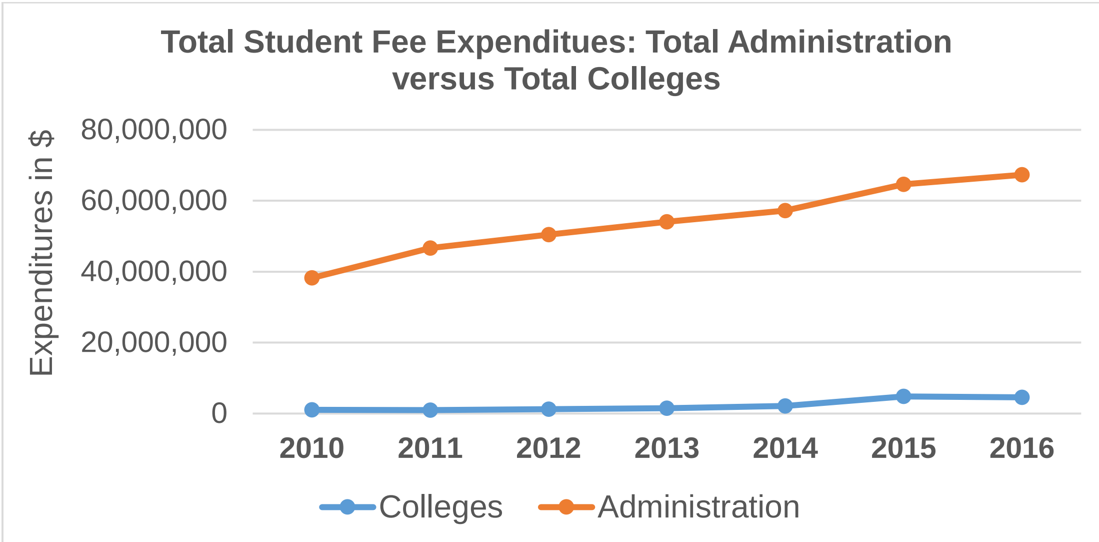
The percent change by year highlights the volatility of some fund sources. Analysis of the % change over each year underscores the volatility of Grants/Contracts. The periodicity in increases in student fee income is due to the timing of imposition of new fees as well as growth in the student population. In general the overall percent growth in student fees is greater than the percent growth in state funds and tuition. (See appendix for breakdown of student fees.)

Figure 17. Cumulative percent change by year by fund source relative to fiscal year 2009-2010



Total student fees expenditures showed the greatest growth of the funding categories, rising by 83% in this time period. In contrast gifts and endowments grew by 50%, state funds and tuition by 36.4% and contracts and grants by 6.2%.

Figure 18. Student fee expenditures by unit: colleges versus total administration



4. Benefits expenditures show the greatest growth.

The % of total expenditures for each category for fiscal year 2009-2010 was: salary: 50.2%; benefits: 13.3%; other: 36.5. By fiscal year 2015-2016 the percent for "other" remained constant but the percent spent on salary decreased while benefits grew as a percent of expenditures: salary: 45%; benefits: 18.6% and other: 36.4%. Average salaries rose over this same time period further underscoring the magnitude of the rise in benefits expenditures. The changes in benefits as a percent of salary are presented in Table 4.

Table 4. UC Davis Composite Benefits Rates: Retirement-Eligible Employees

Classification	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Academic Senate, MSP, Academic Assistant and Associate Researchers, Other Academic Appointments (99), Ag Experiment Station, Fire and Police	27	30.3	36	38.3	37.9	38.1
Service Professionals	54.1	58.6	63.7	66.4	66.3	62.2
All Other Employees	40.2	44.2	48.3	50.4	51.4	51.3

Depending upon the relative numbers of employees in the various categories below the percentage growth in benefits varied by unit consistent with the expected employee profiles. This figure compares growth in all three expenditure category and the percent change by year. The orange bars represent benefits. Although all categories grew the greatest percent growth was for benefits.

Figure 19. Change in total expenditures by cost category

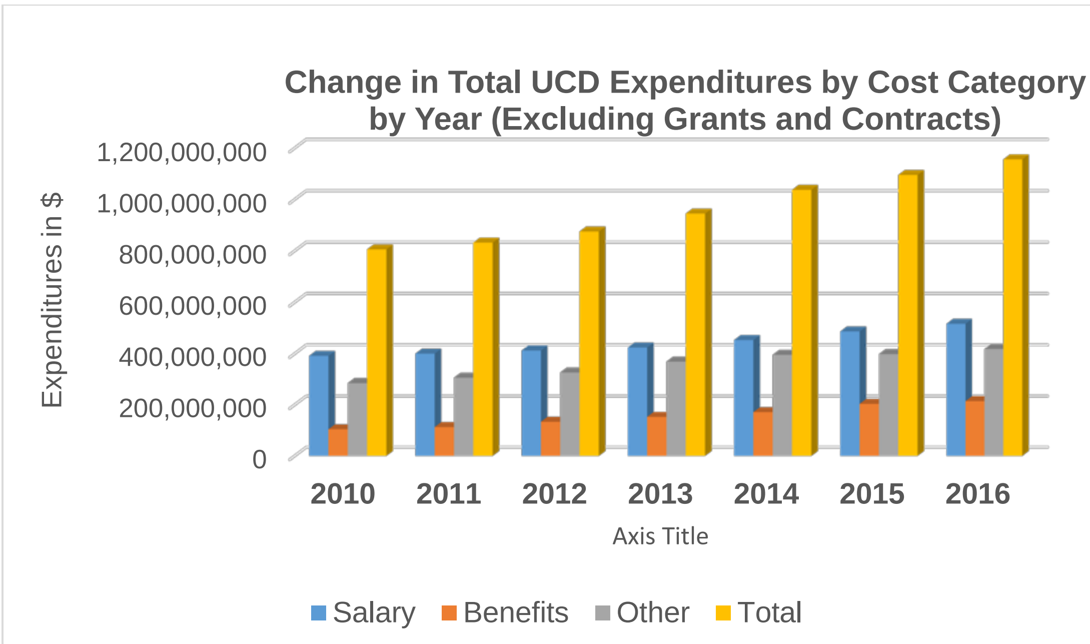
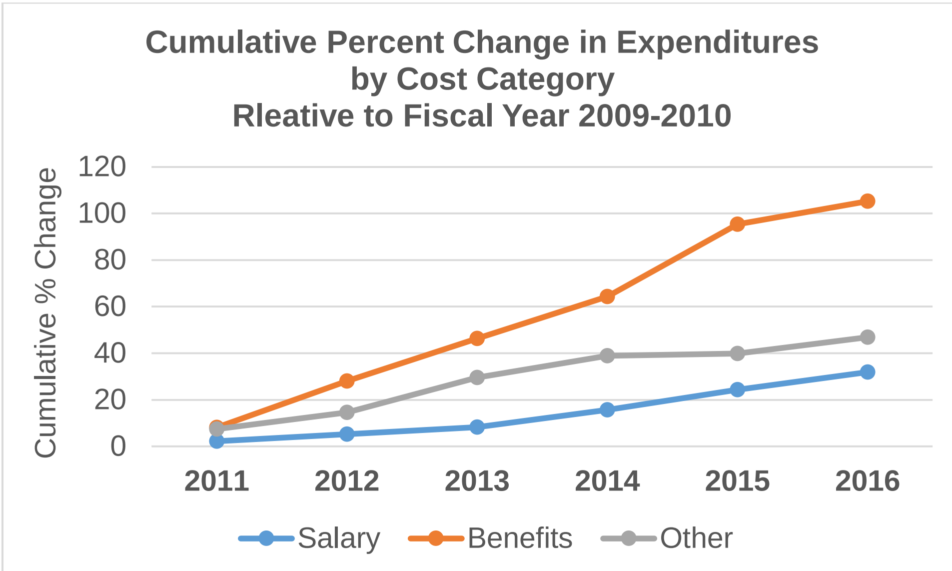


Figure 20. Cumulative percent change over time by cost category relative to fiscal year 2010



This growth is reflected in the increases in the composite benefit rates for retirement-eligible employees that grew significantly as a percent of salary over this time period, rising on average by 10% of total salary over this period.

Figure 21. Cumulative change in benefits expenditures by unit relative to fiscal year 2009-2010

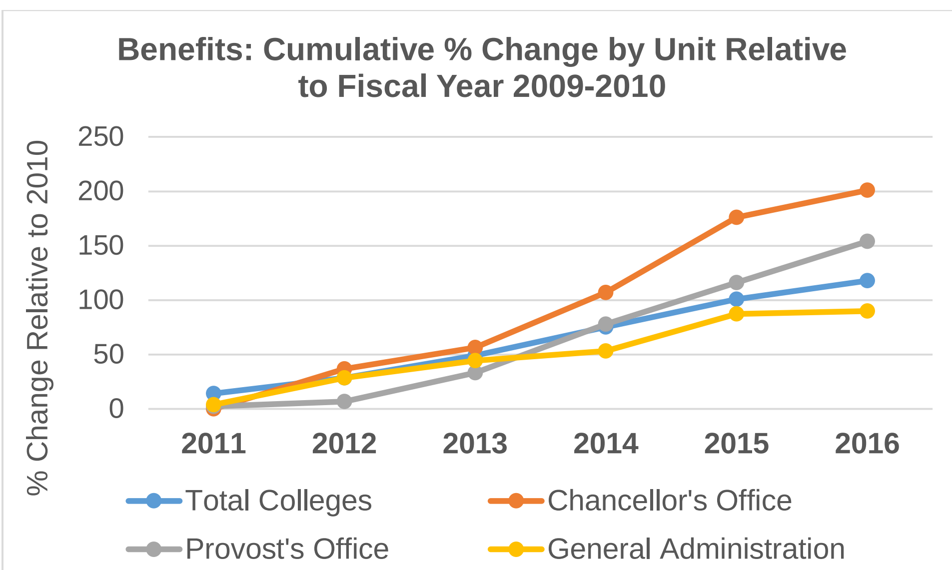


Figure 22. Cumulative change in salary expenditures by unit relative to fiscal year 2009-2010

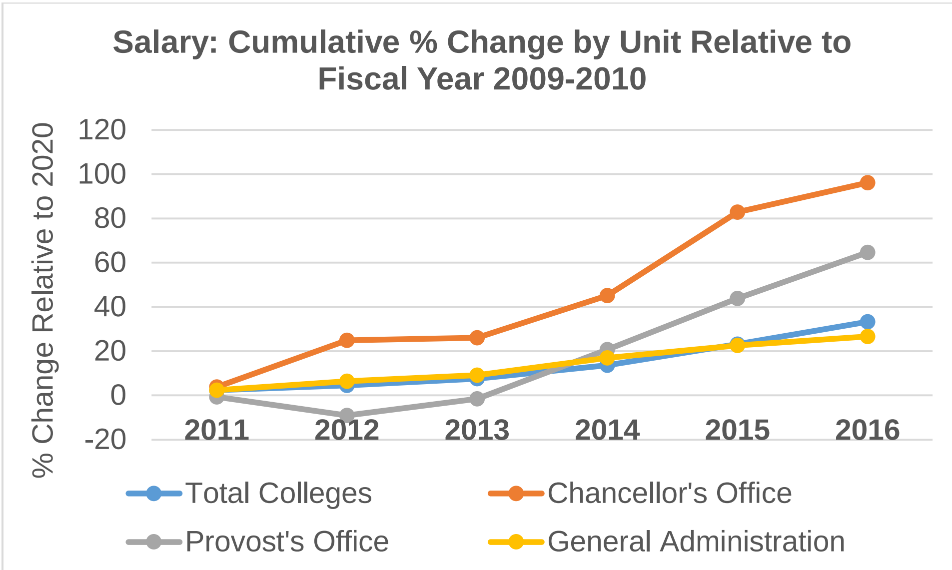
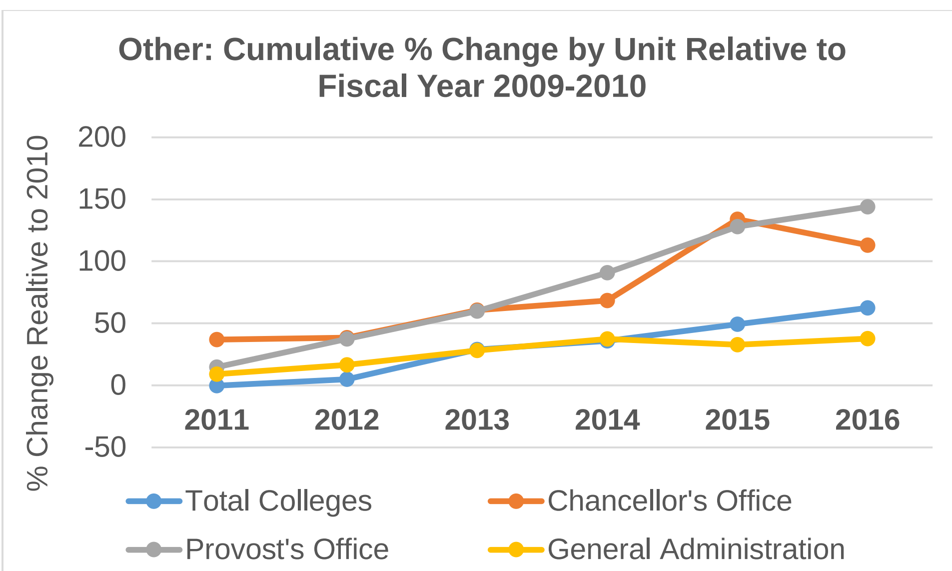


Figure 23. Cumulative change in other category by unit relative to fiscal year 2009-2010



5. **Little to no growth in faculty, staff at College level, and doctoral graduate student populations occurred over this time period.**

Growth in budgets particularly those targeted to instruction were evaluated with respect to growth in student populations. Undergraduate student populations grew continuously over the seven year period consistent with the campus 2020 vision (Table 5). There was some growth in master's programs but numbers of students enrolled in doctoral programs were more constant.

Table 5. Enrollment Trends, Three-quarter Average

Classification	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Undergraduate	23,468	23,489	23,844	24,523	25,290	26,463	26,995
Post-Baccalaureates[1]	140	170	135	147	189	158	123
Graduate Academic - Master's	796	860	819	796	911	927	918
Graduate Academic - Doctoral	3,230	3,237	3,142	3,166	3,163	3,232	3,266

With respect to faculty, there was essentially no growth in ladder rank faculty with a net decrease of 23 positions (-2.4%) compared to 2009. There was growth in the lecturer category with an increase of 66 positions over this same time period (5.5%) (Table 6).

Table 6. Changes in Faculty (October Headcounts)

Classification	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Faculty-Ladder Rank	964	939	895	895	895	918	941
Faculty-Lecturer	182	168	169	187	202	222	248
Faculty-Other	32	32	38	38	38	35	43

Trends for growth in staff paralleled that of ladder faculty in the colleges with a net loss of 58 positions (-5%) over this time period. Staffing numbers grew by 226 overall for the administration (+6.2%) (Table 7).

Table 7. Growth in Staff Positions

Year	Colleges	Chancellor's Office	Provost's Office	General Administration	Total Administration
2010	1397	65	124	3453	3642
2011	1354	63	108	3403	3574
2012	1355	66	112	3377	3555
2013	1358	72	101	3431	3604
2014	1330	80	118	3561	3759
2015	1325	89	127	3629	3845
2016	1339	95	151	3622	3868

Depicted graphically, the changes in staff at the undergraduate colleges are largely flat-lined, with the overall decrease in total academic staff largely due to an overall decrease in staff in CAES.

Figure 24. Changes in number of staff position over time total colleges compared to total administration

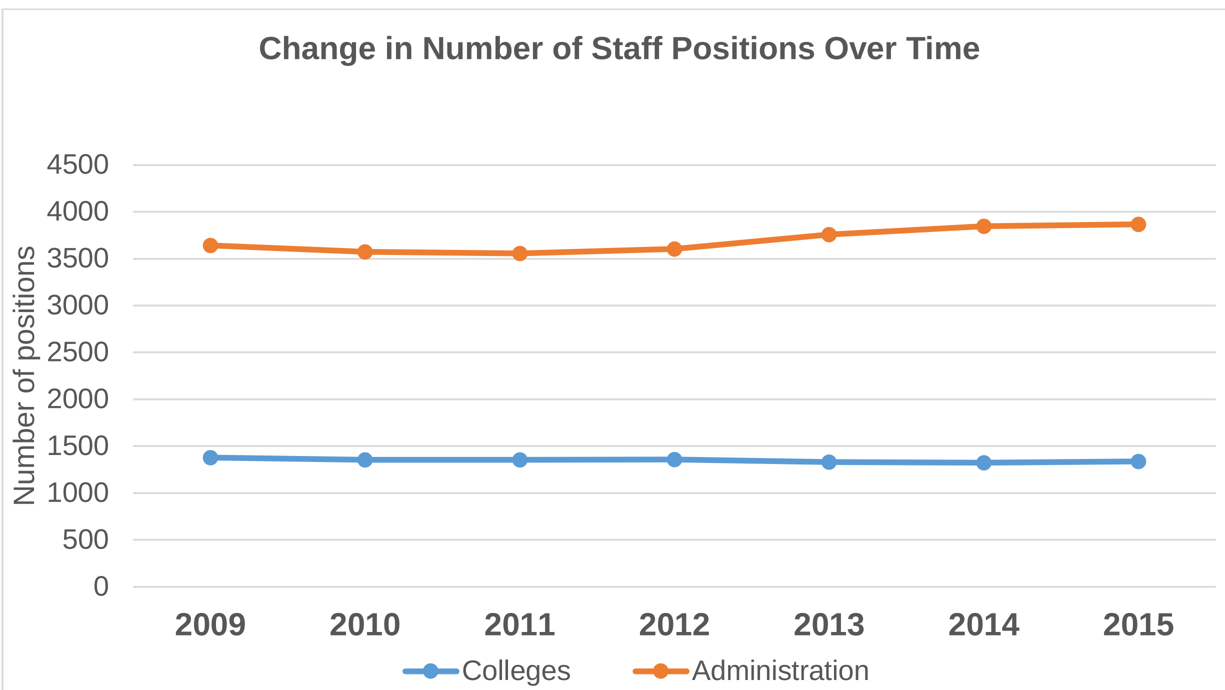
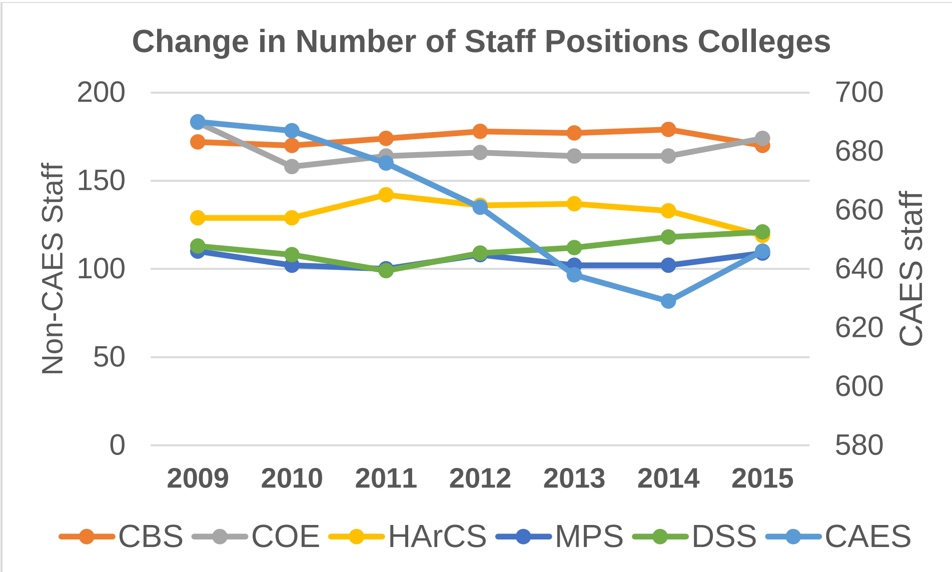
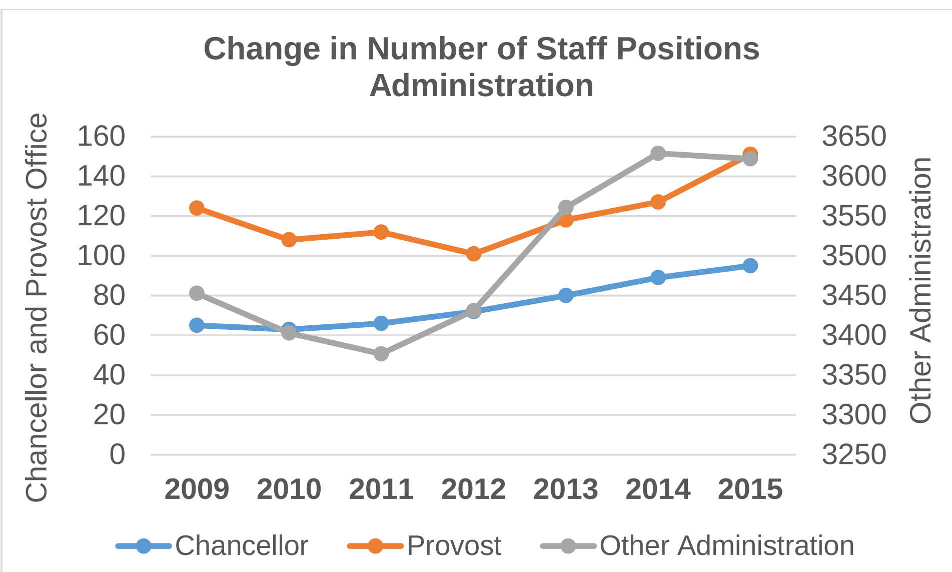


Figure 25. Changes in number of staff position over time detail for individual colleges



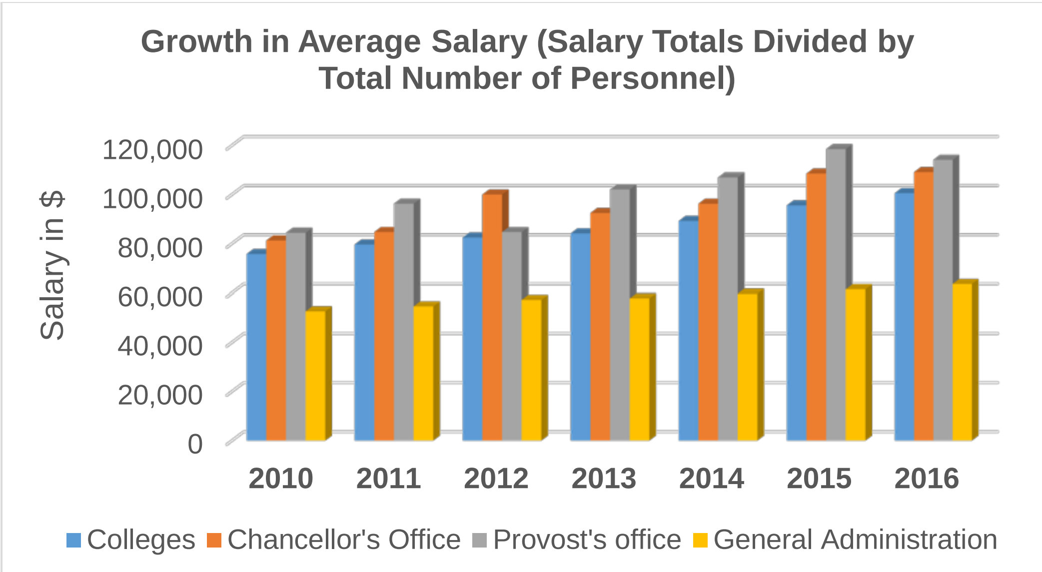
Even though the overall decrease in staffing within the colleges is due to a decrease largely for CAES, all colleges saw essentially no change in staffing numbers.

Figure 26. Changes in staff position numbers over time detail for administrative units



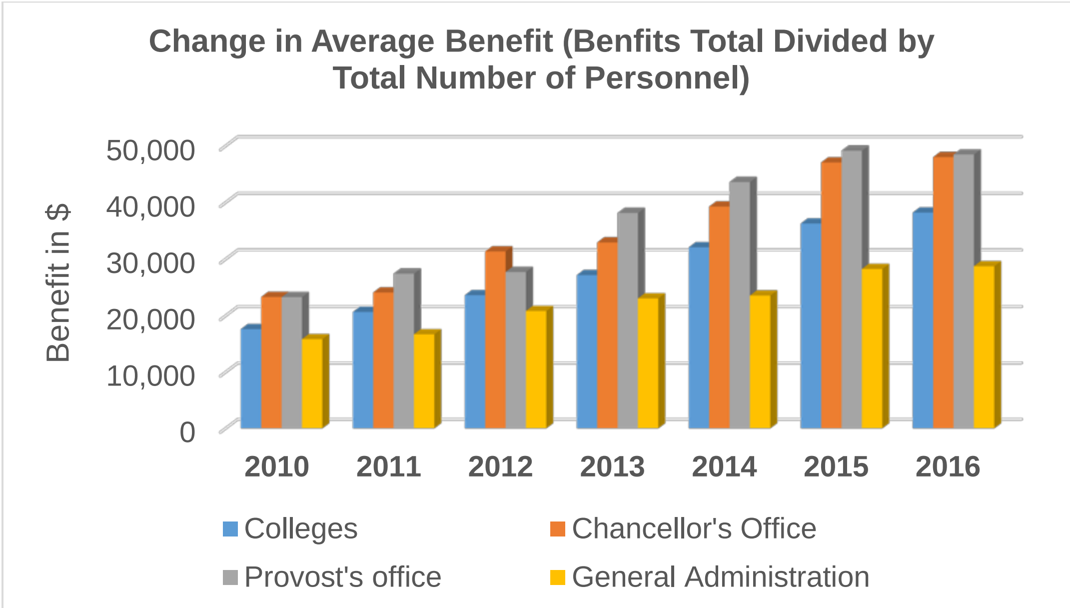
We also examined changes in average salary for the four units over the seven year period, defined as the total expenditures for salary divided by the total number of personnel, staff and all faculty categories. Salaries grew in all categories with an average percent growth in salary of 32.7% for the colleges, 20.7 % for the general administration, 34.3% for the Chancellor's Office and 35.3% for the Provost's Office.

Figure 27. Growth in average salary by unit



Changes in benefits by changes in personnel numbers were also analyzed. Average benefits were higher for the Chancellor's and Provost's Office staff compared to the other two units. Average percent change in benefits over the seven year period was 117% for the college staff, 81% for general administration, and 106 and 108% for the Chancellor's and Provost's Offices respectively.

Figure 28. Change in average benefit by unit



6. **Growth across units within the Administration was not uniform.**

We first evaluated the percent increase in budget over time for each of the colleges. Analysis of the % growth in college budgets over time suggests a greater % growth in the later years for those colleges with significant teaching commitments reflective of the new budget model.

For the Chancellor’s Office the largest growth was seen in Campus Counsel and for the “other” category. Within the “other” category the breakdown of expenditures indicated greater growth in five areas: IT, rents and leases, services and fees, internal assessments, and commencement/entertainment.

Figure 29. Growth in expenditures for units within the Chancellor's Office

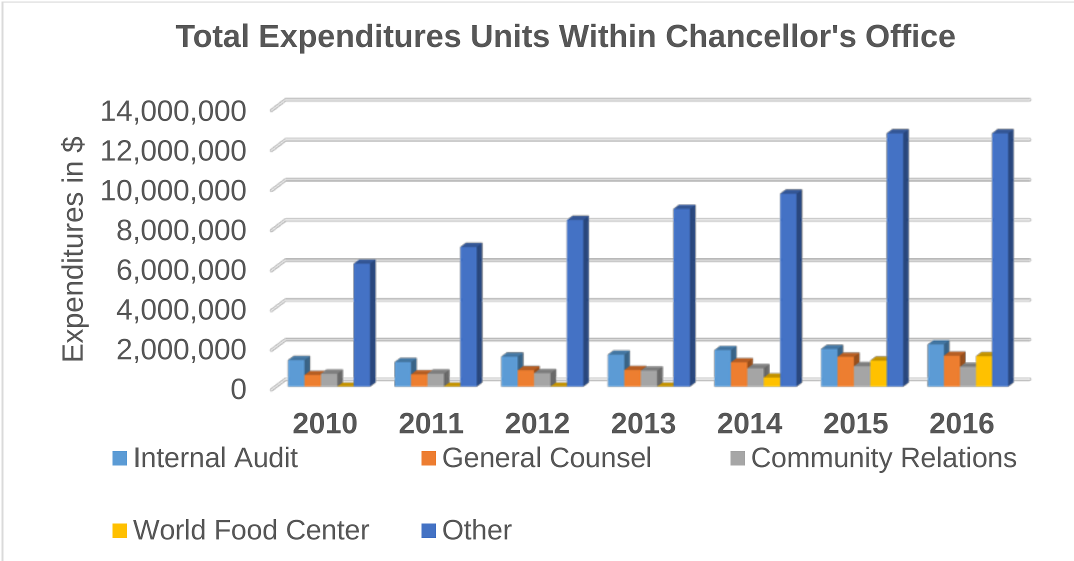


Figure 30. Growth in expenditures for units within Chancellor's Office minus "other" category

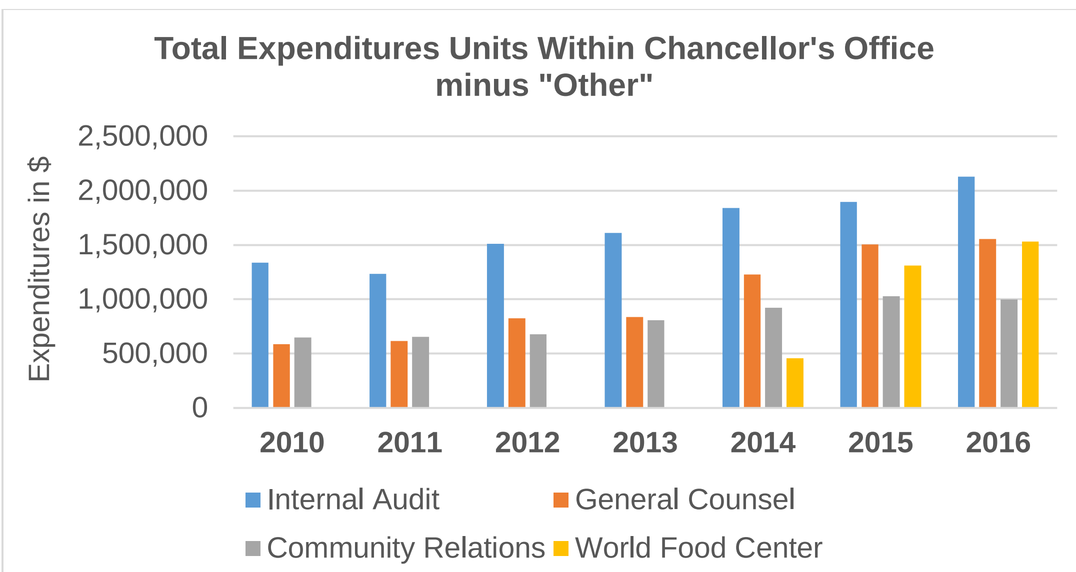
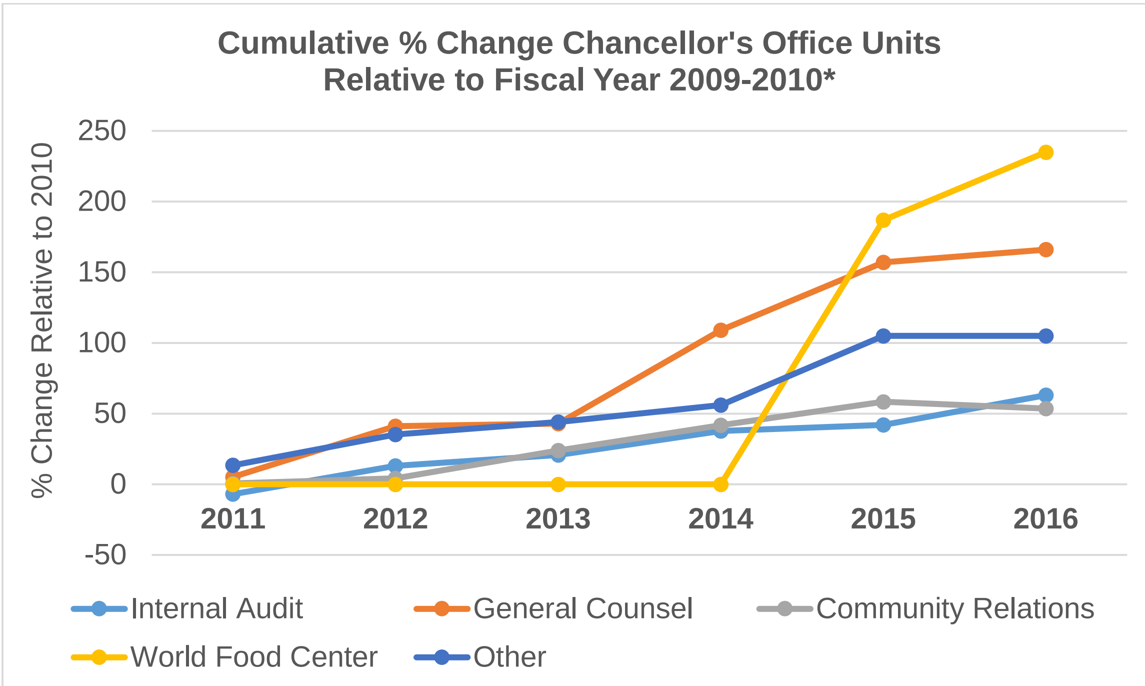


Figure 31. Cumulative percent change for units within Chancellor's Office relative to fiscal year 2009-2010



*World Food Center % change relative to fiscal year 2013-2014

For the Provost's Office growth occurred across all units with the greatest growth in the other category (160%) and Undergraduate Education (152%). Global Affairs and the Academic Senate budgets both grew by 95% and Academic Affairs grew by 70%. We were not able to evaluate the "other" category to define the major cost drivers.

Figure 32. Growth in expenditures for units within Provost's Office

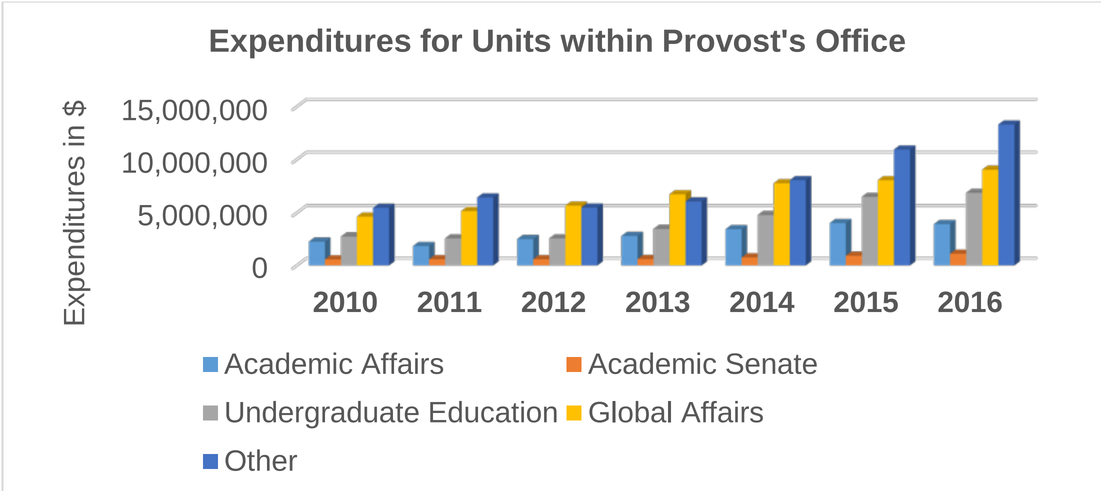
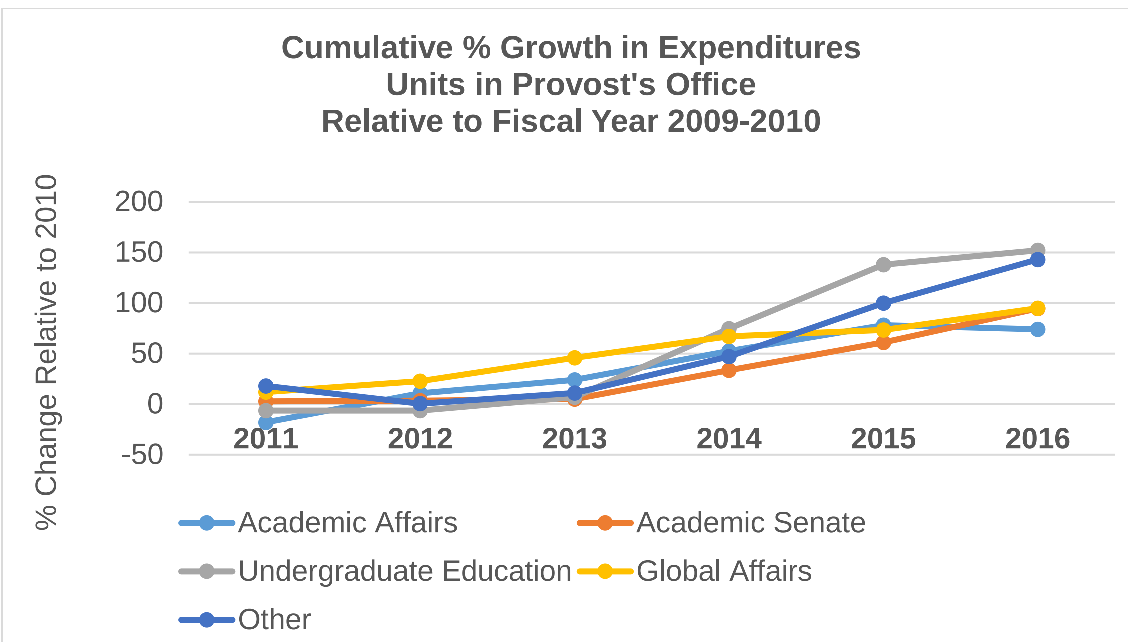


Figure 33. Cumulative percent change in expenditures for units within the Provost's Office relative to fiscal year 2009-2010



For the General Administration, growth again was not uniform across all units. The percent increase in overall funding for the seven year period was greatest for Graduate Studies (64%), Development (63.6%) and Student Affairs (50.6). The remaining four units grew from 25.8% (Library) to 34.2% (FOA) (IET 28.2%; OR 32.8%). Since benefits rates grew by 105% over this period and salaries by 32%, we assumed percents of growth around 30 are likely accounted for by changes in benefits and salary adjustments and in general are not due to expansion of the activities of those units. This is based on the analysis of total salary and benefits increases for the colleges being roughly 49% over this time period and the staffing levels held constant. The increase in Development comes largely from increase in “other” but are accompanied by a dramatic decrease in state funds over this seven year period (state funds decrease by 54% over the seven year period). The breakdown of percent of budget for each unit in 2010 compared to 2016 was: Library (4.3 to 3.8); Graduate Studies (0.8 to 1.0); IET (7.8 to 7.1); OR (6.8 to 6.5); Student Affairs (34.7 to 37.4); FOA (43.4 to 41.6) and Development (2.2 to 2.6).

Figure 34. Growth in expenditures for units within General Administration

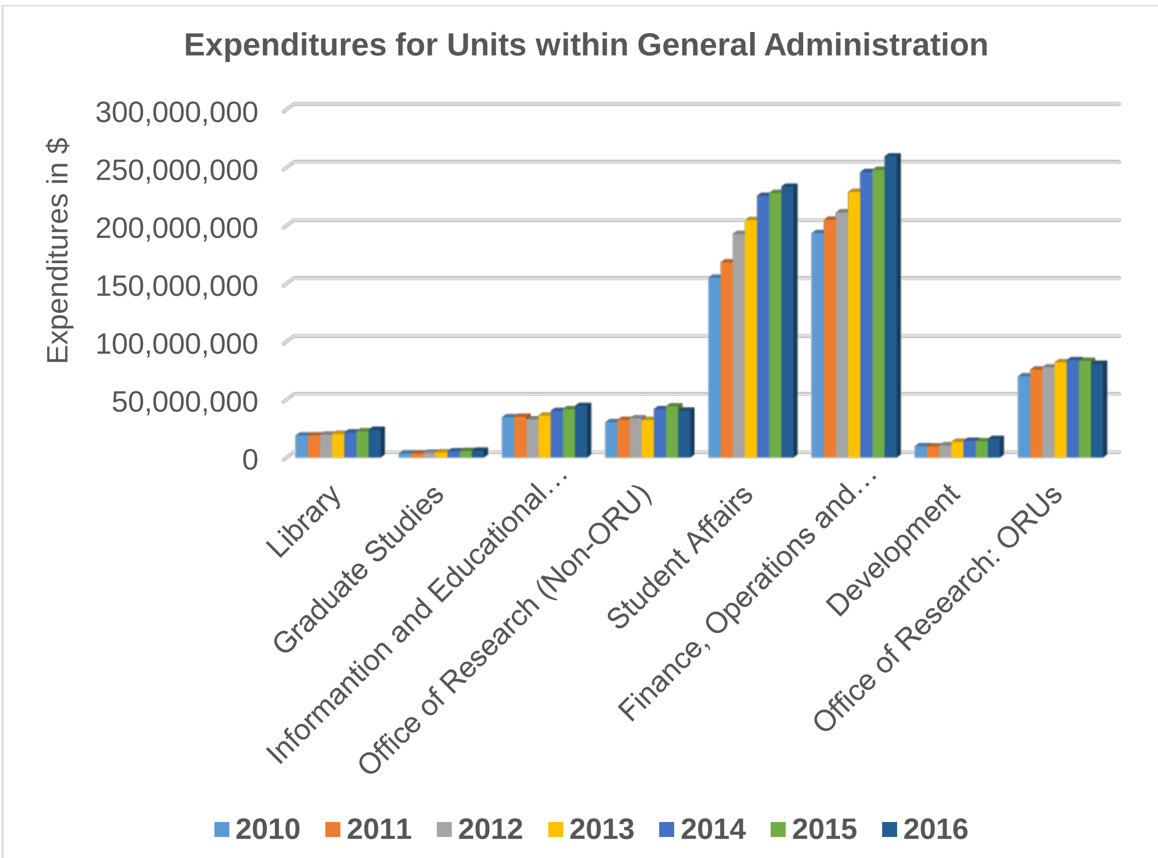
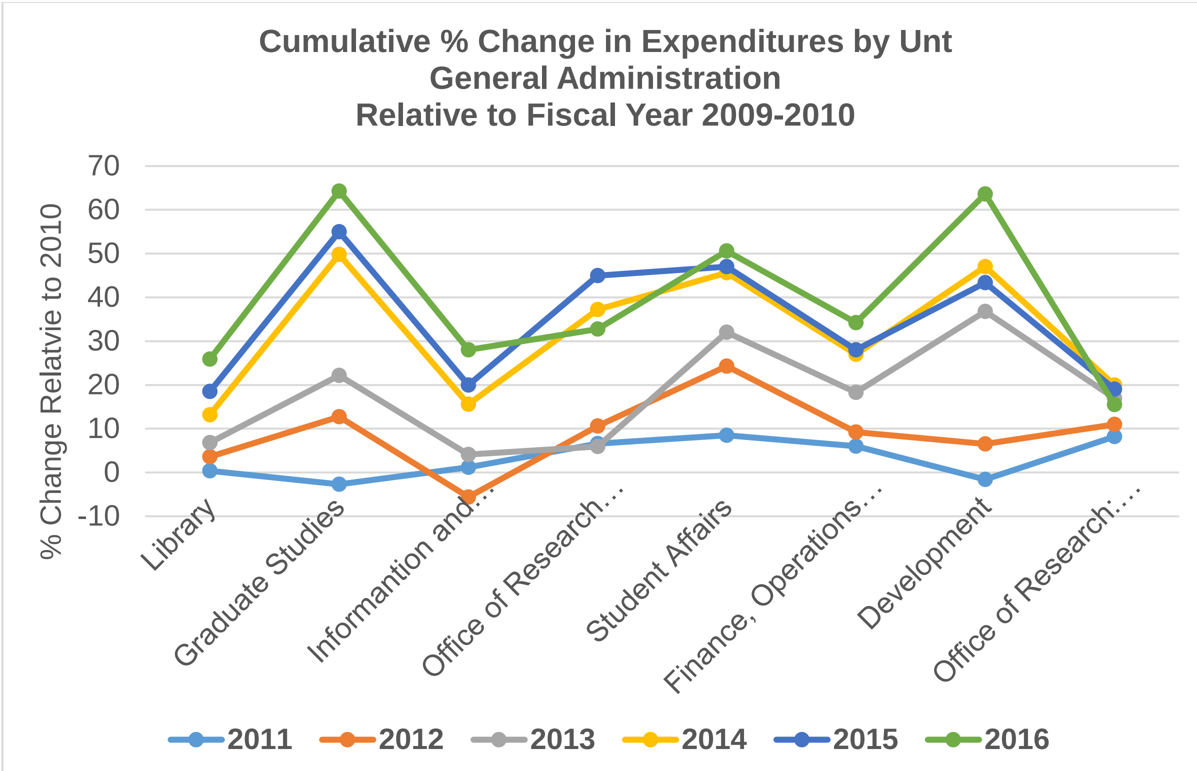


Figure 35. Cumulative percent change in expenditures for units within General Administration relative to fiscal year 2009-2010



Issues, Questions and Observations

1. **Decreases in faculty and college staffing highlights differential administrative versus instructional growth**

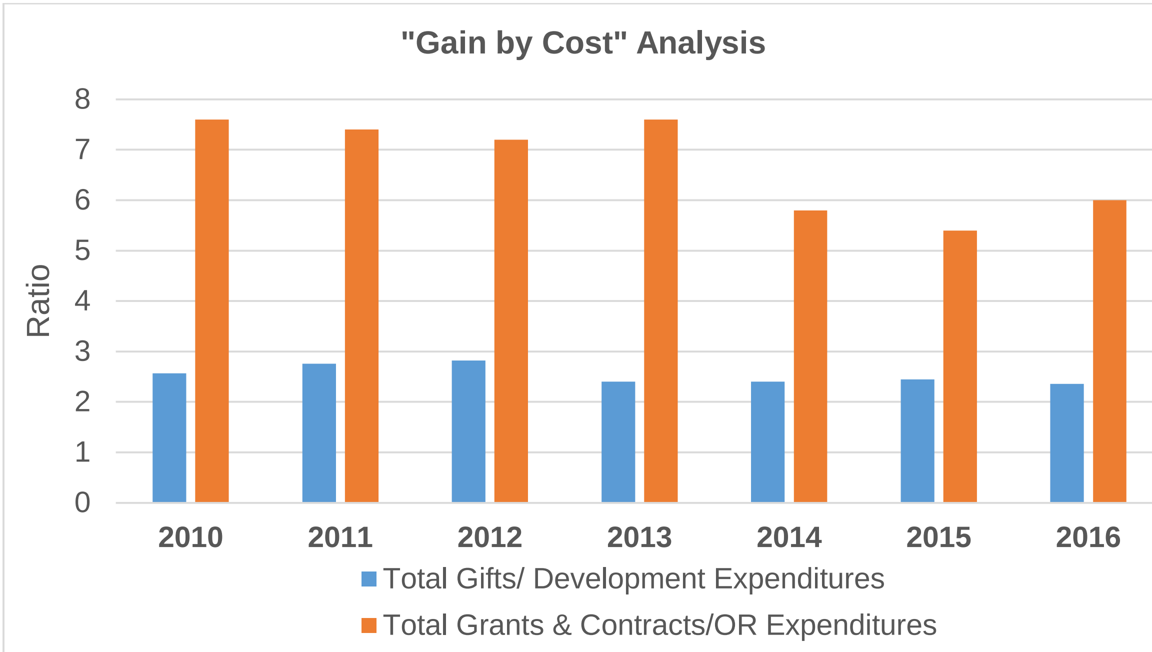
The Task Force was able to demonstrate growth in expenditures across all units but struggled with the concept of whether or not that growth was "normal" or necessary. College budgets grew over the time period as did those of the administration and overall percentages of expenditures remained similar. However examining the college expenditures versus staffing suggests that accommodation of increasing salaries and benefits came at the expense of total number of personnel positions. Since student populations increased over this time the decrease in faculty and staffing support is of concern. Total college staff plus faculty decreased from 2543 in 2009-10 to 2528 in 20015-16 with growth only in the lecturer category as total student numbers grew by 3,668 (from 27,634 to 31,302) or by 13%. The largest decreases were for CAES but all colleges showed fairly flat personnel levels. We are concerned that this does not reflect a greater efficiency of delivery of educational programs but rather a transfer of workload normally accommodated by staff to faculty and remaining staff. The Task Force was not able to assess impact of staffing decreases on faculty and remaining staff workload and job satisfaction but this is a critical area for further investigation.

2. Need for metrics of reasonableness for cost of business

The Task Force was able to assess changes in expenditures by units but not able to determine if funds were being effectively spent. There are no agreed to metrics or comparative institutions/units to use to assess reasonableness of cost of business for a state-funded institution. In other words it was not possible to determine if growth was necessary for units that grew at rates greater than the changes in benefits and salary adjustments. We suggest development of analytical tools and metrics that will enable assessment of the reasonableness of expenditures for specific transactional and non-transactional activities.

As an example, we analyzed two activities as a “gain by cost” development and contracts and grants processing based upon available data. We tabulated expenditures from the gifts and endowments categories and divided those by the budget of the central development office. A similar analysis, totaling all grant and contract expenditures and dividing that number by the Office of Research budget was conducted. The gain for development was roughly two dollars for every dollar spent while that for grants and contracts was 5.5 to 7.5 dollars for every dollar spent. This is offered as an example of the type of analyses that can be conducted. Our data are flawed in that we did not have the breakdown of where growth occurred in the Office of Research, in grants processing versus corporate relations for example. Our sample calculation assumes all growth in grants processing which we also assume is incorrect. This example of metrics is offered simply as a type of analysis that could be conducted if data were broken down sufficiently. Similarly for Development we only had data available for expenditures for central Development, not for funds expended in the colleges for development activities.

Figure 36. Gain by cost analysis for gifts and endowments and grant funding



We also evaluated the change in Office of Research budget by numbers of grants processed. Over the seven year period the success rate for award of grants is fairly similar, ranging from 43 to 47.5%. The "cost per grant" defined simply as the OR budget divided by the number of grants obtained has gone up 68% and the total number of grants processed per staff member has dropped in half. This analysis assumes growth in staffing occurred largely in grants processing, which may not be correct. Again we use this analysis merely as an example of the types of assessments that could be made in order to better understand the rationale of unit expenditure growth.

Table 8. Analysis of Cost per Transaction for Grants Processed by Office of Research[a]

Year	Total Grants Prepared	Total Grants Awarded	% Success	Processing Cost per Successful Award	Grant Number Prepared/OR Staff	Grant Number Awarded/OR Staff
2010	3,102	1,474	47.5	20,651	41.9	19.9
2011	2,836	1,250	44.1	25,964	35	15.4
2012	2,776	1,245	44.8	27,053	30.2	13.5
2013	2,526	1,199	47.5	26,887	25	11.9
2014	2,508	1,171	46.7	35,664	22.4	9.6
2015	2,756	1,280	46.4	34,488	19.7	9.1
2016	2,730	1,174	43	34,443	20.2	8.7

[a] To determine cost per award, the total budget of OR (-ORUs) was used and simply divided by the number of grants obtained (total grants awarded). Grant Number Prepared/Awarded were simply the totals of grants in those categories divided by the number of staff indicated for OR-ORUs that started at 74 in 2009-2010 and rose to 135 in 2015-2016, an 82% increase in staff. These are approximations since not all OR staff are engaged in preparation of grants and contracts.

For some units developing such metrics may be easy but for others the cost of transaction may be more difficult to define. It is expected that other universities may have such numbers or could easily generate them to assess what the return on investment should be. The ratios we obtained of a gain of 2$ per dollar spent on development and of roughly 6$ per dollar spent on grants processing may be reasonable, too high or too low as compared to other institutions. However one cautionary note from the Task Force is that such comparisons may be tricky if comparative units are equally imprudent in costs of activities. Other units should develop methods to assess the fiscal prudence for their expenditures. We often hear of the high cost of doing business at UCD being driven by state and federally mandated compliance and it would be of benefit to document this with data.

3. Need for greater transparency in fiscal expenditures and planning processes

We evaluated UCD PPM 200-15 (Administrative Decision Making Process) and UCD PPM 200-30 (Administrative Reviews) and are concerned by the lack of inclusion of costing/financial impact estimates in these policies. Administrative units are instructed to consult broadly when developing plans and consider expectations of customers of a service. However it is not clear if this decision making process includes an assessment of fiscal impact on other units. Given the workloads generated within colleges of some of the administrative decisions to adopt user-unfriendly programs for routine operations and the need to then hire staff with the skill set not for the operation required but for learning the non-intuitive system suggests that overall costs of adoption may not have been considered sufficiently in these decisions. Thus higher skills may be needed not for the operation per se but for the system used to conduct that operation. This may not be the most fiscally prudent approach.

Also when a group discussion is used to define desired functionality of an operation or service the line between necessary/essential and desired/non-essential may become blurred and individuals who may argue passionately for a specific level of service might change their minds if they realize the cost of that incremental benefit. We assume such considerations are taken into account but would prefer to see this stipulated in the PPM.

We debated the best mechanism for assessment of cost of business and whether that should be in comparison to other UC campuses and non-UC California campuses (cost of business within CA), comparison research institutions (mission identity) or consider costs of similar transactions/operations in the private sector (efficacy of compliance comparison). In the end a combination of all may be the best course of action. We endorse development of mechanisms to assess the fiscal prudence of administrative as well as instructional operations with the goal of delivering high value for cost as well as identifying cost-drivers.

4. **Analysis of "other" category for administrative units**

For many units the majority of the budget expenses are people but for some a large component of the budget was classifies as non-employee or "other". As a consequence the Task Force was limited in its ability In order to assess the reason for growth of some administrative unit budgets to determine both the reason for growth and the importance of that growth.

5. **Concern over growth in student fees**

Task Force analysis of the percent growth in expenditures by fund source indicated an overall growth between the 2009-2010 and 2015-2016 fiscal years of 47%. Examining growth in sub-categories revealed that growth in grants and contracts was the lowest at 6.2%, followed by State funds and tuition at 36.4% and gifts and contracts by 50%. We were concerned that the percent growth in student fees was the highest at 83%. In 2016-2017 non-health student fees were $2,862.20 or roughly 25% of tuition (11,220). Fees are levied for a variety of student activities and pose a burden for students forced to take out loans to cover costs of education. We asked BIA for information on consultation processes concerning fees and were told that the Academic Senate has a representative (or opportunity to appoint one) for the Council on Student Affairs and Fees, which reviews campus-based fees, as well as the Committee on Course Material and Service Fees, which reviews course material fees. However, we were unable to determine if faculty were regularly appointed to these committees by the Committee on Committees. Fees can often be seen as alternatives to increases in tuition and a way to fund desirable but non-essential activities and it is important to weigh such fiscal commitments that will impact the entire undergraduate student community judiciously.

6. **Use of consultants and out-sourcing versus in-house expertise**

The Task Force was not able to determine the role of fiscal analysis in the decision to employ external consultants versus in-house expertise and the relative costs thereof. We learned that some consultants were part of the state salaried expenditures and others were included in the “other” category. Outsourcing is an area of great concern to the external community and clear polices that include a full fiscal analysis of the relative costs of in-house versus out-sourcing should be routinely conducted and reported. There is a critical trade-off here – local jobs versus increasing student costs of attendance and student debt. In-house staff, regardless of payroll title, become partners in the educational mission of instruction directly or through volunteer efforts and it is important to acknowledge that this has value for the campus community as a whole. Full transparency is therefore vital in such decisions.

7. **Concern over costs of professionalization of the administration versus use of existing faculty expertise and growth in administrative positions**

Task Force members were struck by the number of high-level administrative positions for which professional faculty administrators were sought and the accompanying higher salaries paid and pension-associated benefits. This seems to be at the cost of developing a cadre of administrative leaders in-house as is done at other institutions. We were unaware of the consultive processes used to determine if a position should be “in-house” or broadly advertised and the assessment of fiscal impact since such individuals will need staff support and operational budgets. We sought copies of organizational charts from each administrative unit for the seven year period under review and were dismayed to learn that they were available for current year only. An important part of our assessment would have been to compare growth in people within the administration as a function of job title and position creation but were unable to obtain data.

8. **Evaluation of “cost of transparency”**

Task Force members were also concerned about the costs of transparency. We noted that the recharge expenditures for some units is considerable. We understand the allocation of all resources to Deans and then recharging them for administrative functions does enable all users of those functions to understand their “true” costs but wondered about the inherent costs of this practice and record keeping of charges. We assume that allocation and recharging against allocations does have a cost versus simple direction of those funds to the administrative unit with transparency regarding the use of those funds for support of campus constituencies. There are many routes to transparency and fiscal prudence should guide the route taken.

9. **Review of administrative cost structures**

Another area of concern raised by Task Force members was that, although there appears to be consultation in administrative decision making processes, the level of consultation in review and assessment of the broader impact of those decisions was unclear. For example, anecdotal comments from many administrative units suggest that the clustering of administrative service units did not result in the efficiencies or cost-savings predicted. Better analyses of current costs, projected costs followed by assessment of the actual altered costs following a change are needed.

10. **Need for enhanced record-keeping for assessments of administrative growth**

In order to better understand the rationale for growth of specific administrative units the Task Force sought to obtain administrative unit organizational charts for the seven year period. We were only able to obtain organizational charts for the current fiscal year as it is not common practice to save such information. We think retaining organizational charts is important in transparency about growth in units. We noted above that for the Office of the Provost significant growth occurred for Undergraduate Education. We know that some of this growth was due to mandated assessments from the last WASC accreditation review for the creation and assessment of learning outcomes for all courses in all undergraduate programs. Such mandates that are unfunded can lead to structural deficits for the campus as funds to cover expenditures for compliance must be identified. We think costs for other units may also have risen due to similar unfunded mandates but were unable to obtain data for this. We suggest that such data be kept and publicized so that faculty and students are aware of the potential negative impact of unfunded mandates as well as making the entity requesting such activity aware of the cost and our limited options for covering such costs.

11. **Professional School growth analysis**

Task Force members were concerned that professional school budgets also include expenditures related to instruction of undergraduate and graduate students in addition to professional school students. We realize this was beyond our scope of analysis but suggest that similar assessments of growth in professional school administration of instruction versus instructional costs would be of value.

Specific Recommendations

1. **Develop metrics/outputs to enable assessment of effectiveness of budgetary expenditures**

The Task Force recommends that each administrative unit develop assessments or metrics that can be used now and in the future to determine costs of efficiency and effectiveness and that costs of operations be reviewed on a regular basis. This would entail developing comparative measures of fiscal prudence as outlined above and including costs inadvertently incurred by other units. The metrics should be submitted for full Academic Senate consultation and review.

2. **Include specific language on fiscal impact assessment in PPM 200-15 and PPM 200-30**

The Task Force fully supports consultive decision making stipulated in the UCD PPM. However sound decisions require sound fiscal analyses and this seems to be lacking in the current language used in the PPM. We recommend that both administrative reviews and decision making practices include fiscal analyses to be provided to those being consulted. Changes in proposed language of the PPM should be submitted to for full Academic Senate consultation and review.

3. **Senate participation on student fees increase committee**

The Task Force supports Academic Senate representation on the Council on Student Affairs and Fees. Instructional units and faculty are consulted on the levying of lab and materials fees which are reviewed by the Senate. However, it is unclear what level of Senate consultation occurs on levying of non-instructional fees. We further suggest that all proposed student fee increases be reviewed by the Committee on Planning and Budget prior to implementation.

4. **Determine impact of flat budgets on academic quality**

Comparative analysis of staffing in instructional versus academic units suggests one of three possibilities either that instructional units have been innovative in delivery of quality curricula for less, the workload of the lost staff has been absorbed by faculty and other staff which may come at a cost of time spent on instructional or other activities, or the quality of instruction has been altered by the loss of resources and staff. We believe that the current undergraduate and graduate program review processes will uncover these issues and suggest that each year the Undergraduate and Graduate Councils prepare or include in their annual reports to the Representative Assembly an assessment of the impact of budgetary constraints on programmatic quality and faculty and staff welfare for the units under review.

5. **Assessment of efficiency/reasonableness of expenditures and administrative process**

The Task Force recommends that the administration undertake a comprehensive review of processes for relative cost. Implementation of any new business operation should include a full assessment of the fiscal impact of all units impacted including, for example, assessments in the change in skill level of employees currently conducting the operation and accompanying costs of training for proficiency in the new system.

6. Retention of organizational charts to monitor administrative growth

The Task Force recommends that a database of organizational charts for each administrative unit be generated and that each year organizational charts be captured for this database. This will enable a more comprehensive assessment not just of growth but of the nature of that growth. This will facilitate transparency when growth appears to be differential in nature.

7. Greater transparency in costs of unfunded mandates

The Task Force sought information on changes in organizational charts over time so that we might be able to assess reasons for differential growth of units. However, we were not able to obtain these documents. We do know from looking at one of the units, Undergraduate Education, that part of this growth was made necessary by the need to launch robust programs developing learning outcomes for all undergraduate courses and majors and defining assessment protocols for those learning outcomes mandated by the WASC review. This is not a trivial task and loss of accreditation could negatively impact student financial aid. We define unfunded mandate as the requirement of a funding agency to create costs for which funds are not provided. One is essentially forced to create a structural deficit, increase income or eliminate an existing cost in order to cover these mandated activities. We recommend that the administration create reports on the costs of these mandates both to enable greater transparency for faculty, staff and students but also because such analyses can be used to show the agency involved the actual cost of their mandate.

Further Considerations on Administrative Growth at UCD

As the Academic Senate Administrative Growth Task Force discussed our findings, several possible factors resulting in differential administrative growth were proposed. However, conclusive data to verify or test these hypothesis were not available or collected on a regular basis. Although the lack of availability of organizational charts for each administrative unit for each of the seven years prevents a detailed analysis of what grew when, we offer the following thoughts on administrative growth.

The budgetary dynamics of UCD are complex and several interacting factors seem to be drivers of the differential growth of administrative budgets versus instructional or academic unit budgets. The differential rate of growth of administrative versus instructional mission expenditures at institutions of higher learning has been known for decades. A seminal article discussing the possible reasons for that differential growth appeared in 1995 that we find is still timely today (Leslie and Rhoades, Rising Administrative Costs: Seeking Explanations, J. Higher Ed,66:187-212, attached as Appendix 5). The nation-wide assessment they describe in 1995 parallels the differential patterns of growth we deduced from the last seven years of expenditures. Thus a differential rate of administrative versus instructional unit growth is not unique to UCD or to UC, but characteristic of higher education in general. Similar to our own conclusions the authors state that the way in which expenditure data is aggregated precludes identification of precise causes of this differential growth. To quote directly from the paper “the issue is not whether administrative cost increases reflect improved administrative services; the issue is whether expended resources might have served the institution better if the expenditure had been for instruction, research, or service”. We view this as the crux of our charge to investigate growth – is that growth necessary or desirable given the mission of the institution of teaching, research and service? This is a challenging question to answer.

We fully concur with the economic assumption of this paper that non-profit or public universities are “revenue maximizers” and that “They exist to serve clients. The more revenues one has, the more clients can be served.” We offer that “clients” in our case are more accurately “beneficiaries” and that we have as part of our land grant mission multiple categories of beneficiaries: undergraduate, graduate and professional students; corporate and public sector users of new knowledge generated from research and creative activity, individuals served by the UC health system and professional school activity. There is a dynamic tension between these beneficiary streams with respect to which one receives resources when new revenues become available and it is even more challenging to decide which beneficiary stream loses in times of revenue shrinkage. In essence we are beneficiary maximizers and thus the concern when administration, which is more distal to a beneficiary stream, appears to grow more rapidly than direct expenditures on beneficiaries. The article further opines that an ultimate aim of revenue maximization is prestige. In our view this is only partially true in that certainly in our case it is not prestige for the sake of prestige but rather an investment in visibility and showcasing impact with the goal of increasing revenue streams so that more beneficiaries can be served or existing beneficiaries can receive additional services.

The article presents several propositions as explanations of administrative growth and we will discuss these in light of our own analysis of expenditures and collective institutional knowledge.

“The more an institution emphasizes the generation of alternative revenues, the greater the proportion of resources that are directed to administrative units perceived as (potentially) generating such revenues.”

There is some evidence for the validity of this proposition at UCD. Expenditures for Development have grown aimed at increasing the revenue streams in the form of gifts and endowments. The Office of Research has also grown particularly in the area of corporate relations, again an activity aimed at increasing revenue streams but also at serving corporate beneficiaries of research activity and knowledge generation. However, in our analysis, although the budgets of these units grew at rates greater than that of the colleges, administrative units not aimed at revenue generation grew at similar and in some cases higher rates than those associated with revenue acquisition.

“Increased state and federal regulatory pressure on higher education is associated with the growth of administrative staff and expenditure.”

We conclude this proposition is also true at UCD. One of the administrative units showing the most growth over the time period that we evaluated is Undergraduate Education and although we do not have the organizational charts over this period we do know from the existing chart that there are positions that were created to address the last WASC accreditation review (agent acting on behalf of the federal government). UCD was required to develop a visible program of learning outcome assessment and new units were added to cover this activity, both to provide visibility in doing so and to provide assistance and tools to departments developing assessment protocols and metrics. No funds from WASC or an aligned organization accompanied this mandate. Similarly the need to enhance laboratory safety in response to a lawsuit drove growth in administrative units engaged in assuring compliance as did the expectations of review and compliance for academic units. State law charged counties with assessment of safety compliance in a broad range of areas giving them the authority to levy fines and issue citations. Being non-compliant in all of these cases carries a high fiscal risk. Compliance or regulatory pressure has resulted in increases in administrative costs and academic unit size at UCD as a consequence of our academic dependency on these funding sources. There are numerous other examples.

“Increases in administrative costs are a function of administrators taking on functions formerly performed by faculty.”

The article describes universities as suffering from “cost disease” defined as the linkage of salaries of one entity (the University) to other entities (private sector) where growth in salary is related to increased productivity and profitability. Under this scenario, costs for individuals become linked to external forces that define competitive compensation. In our view the professionalization of the administration driven by increased complexity of function and activities and minimization of risk drives hiring to the same pool of talent for similar positions in the private sector thereby necessitating higher salaries. This upward spiraling of salaries unlinked to tradition university revenue streams is problematic and underlies our recommendation to consider use of in-house talent and expertise wherever possible instead of creating new positions that would draw from this pool. Such administrative positions in the past were covered by the cycling of faculty from/to teaching and other responsibilities to performing administrative tasks. The professionalization of the administration and the reduction in use of faculty for many of the managerial tasks we agree is a significant driver of increases in administrative costs.

“Increases in administrative costs are a function of the growth of consensus management in administration.”

As defined in the article “consensus management” is participative management and the engagement of managers in decision making and this has occurred at UCD. The Council of Deans and Vice Chancellors has grown over the years from the observation of Senate chairs on our Task Force as the administration has grown in complexity. To quote directly from the article: “Consensus management is expensive: democratic processes create more work for more people and therefore lead to the addition of staff.” The article predicts that if this has occurred then larger increases in numbers of personnel will be observed when compared to non-personnel expenditures and growth in average salary. The percent growth in personnel in the Chancellor’s Office was 46% over the seven year period while average salary grew by 34%. However the “other” category grew by 113%, a greater rate than would be expected if growth were due largely to consensus management. However we suggest that consensus management may be a factor driving differential growth of the administration as described in this article.

“Increases in administrative costs are a function of the self- perpetuating growth of administration.”

The article defines the phenomenon that growth in upper administration or positions that require actions of/create work for others leads to a proliferation of administration, the “administration begets administration” phenomenon. We would add to this assessment our personal observations that increases in the central administration creates work for those in the instructional units also. This is manifest in many ways such as the creation of IT systems that require significantly more time to complete tasks than prior “paper systems” and that may require a more highly trained (and more highly paid) staff.

The next two proposed reasons for increase in administration are similar:

“Faced with increased environmental uncertainty and with unclear technologies for achieving organizational ends, managers will increasingly adopt the administrative structures developed by successful organizations”.

“The more that administrators become involved in professional associations, the more they and their institutions will tend to adopt normative administrative structures and practices.”

Both of these propositions suggest increases in management costs are more succinctly described in the article as “If Harvard is doing it, it must be a good idea.” Although our analysis of growth in expenditures and lack of availability of organizational charts and the ability to compare those charts to comparison institutions makes it impossible to determine the extent to which this is a factor in administrative growth at UCD we nonetheless recognize it as a possibility. Creating normative administrative structures may also be a tendency to match an administrative staffing level of a unit to what is typical at other Universities rather than to actual workload. We would add that as administrators move between institutions they may take with them the need to have certain administrative structures/positions in place that might not exist at the new institution, and this may be addressed not as a reorganization of existing units but in the creation of new units. Many of the positions that they describe in the article as associated with mimicking successful institutions do exist in those titles at UCD. It is not clear however if mimicking of success is a good or bad idea with respect to resource expenditures and acquisitions.

“The greater the organizational distance between the unit and the budgetary decision maker, the smaller will be the proportional increase in the resource allocation to that unit.”

The paper includes as an explanation of administrative growth as “budgetary decision makers first take care of their own needs and the needs of those they know well.” They cite as evidence for this driver of administrative growth that the growth of units closer to the ultimate budgetary decision makers will be greater than that for the distal units. The rationale for differential increases and cuts to budgets is difficult to determine from our simple analysis of expenditures by units. Our comparative analysis suggests this could be the case since the greatest percent growth in expenditures occurred for the Chancellor’s and Provost’s Offices versus both general administration and the colleges. However our campus budgetary model is slightly different in that resources are allocated to Deans with Deans as primary budgetary decision makers for their units. For some colleges budgetary allocations are driven by transparent models (CAES RAC formula for example). Still, we should be aware that the tendency to make decisions benefiting one’s own unit is a potential factor in unit growth. Adequate Academic Senate review should curtail this tendency.

Conclusions

The budgetary dynamics of UCD are complex and several interacting factors seem to be drivers of the differential growth of administrative budgets versus academic unit budgets. In this we are not unique and the analysis presented in the 1995 Leslie and Rhoades article is striking for its current relevance. There are two fundamental issues we wish to emphasize. First, we are indeed revenue maximizers who spend available funds on multiple competing beneficiary streams as well as on new revenue generation. As a consequence, decision making on allocations and particularly on expenditure cuts is extremely challenging as some worthwhile group of beneficiaries will see a loss in support. However in our view revenues derived from students (tuition and fees) should only be expended for the benefit of students and not used for other beneficiary streams or growing "prestige". The second issue centers on how big and complex administration should be and how it should be structured. We do not have a good idea of what the cost of doing business should or could be, just what it is. Several of the proposed reasons for administrative growth derive from external pressures from funding groups, such as agencies of state and federal governments that impose costs for compliance or services or even specific administrator titles ("unfunded mandates") that may in themselves be valuable to the institution but that are not accompanied by the funding needed to carry out the mandate. This trend is particularly worrisome given the "cost disease" factor that drives many of these hires to a more highly compensated pool of talent. Some of the reasons posed above for differential administrative growth such as the "me too" rationale, excessive consensus management, as well as susceptibility to the "cost disease" of professionalization are ones that we should work to minimize. Further, it is important to recognize that the need for some investments will depreciate over time. This is true for "prestige" investments as well as for some unfunded mandates for which visible administrative structures may only need to exist until the requirement becomes institutionalized. It may be wise to include "sunset clauses" in some of these expenditure decisions.

Appendices

1. UCD APM 200-15
2. UCD APM 200-30
3. Undergraduate California Resident Fees
4. 2016-2017 Student Fee Overview Fact Sheet
5. Leslie and Rhoades, Rising Administrative Costs: Seeking Explanations, J. Higher Ed,66:187-212

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I. Purpose

This section describes the UC Davis administrative plan and the advisory groups that contribute to campus community participation in decision making.

II. Policy

A. Decentralization of decision making and involvement of those affected by the decision are major elements of the campus's administrative structure. The structure includes the use of work groups, committees, councils, task forces, professional staff groups, and other advisory groups for extensive involvement of the total campus community.

B. The campus management structure optimizes effectiveness and growth by bringing together people, ideas, and resources in the following manner:

1. Decision-making is decentralized to the appropriate level and place on the campus, but with full knowledge of the level where the responsibility lies.
2. Policy making, planning, and determination of goals involves as many concerned individuals as possible.
3. Administrative procedures permit and promote development of viable plans for change and the full realization of these plans.

III. Responsibilities

A. Chancellor

The Chancellor is the person ultimately responsible for all functions of the campus community.

B. Provost & Executive Vice Chancellor

The Provost & Executive Vice Chancellor serves both as the administrator responsible for coordination of all operational programs of the campus and as chief academic officer for the campus, and in the absence of the Chancellor, acts for the Chancellor on all matters.

C. Vice chancellor or graduate dean

A vice chancellor or the graduate dean acts for the Chancellor for campuswide administrative functions, administers certain units, and has coordinating responsibility for cross-functional groups.

D. Vice provost

A vice provost acts for the Provost in carrying out campuswide academic administrative responsibilities, administers certain units, and has coordinating responsibility for cross-functional groups.

E. Dean

A dean has an academic and administrative responsibility for functions within the college or school and coordinating and administrative responsibility for inter-college/school units delegated to a particular dean for administration such as campuswide divisions, extended learning, research centers, and institutes.

F. Department chair or unit head

The department or unit is a fundamental administrative unit on the campus since it organizes the resources that support teaching, research, and public service. The department chair or unit head provides the leadership and is responsible for the activities of the department through the dean or vice chancellor.

G. Affirmative action and cultural diversity

Each organizational unit has the responsibility for day-to-day implementation of the process related to developing an environment that is supportive of the rich mix of groups that constitute the UC Davis community.

1. The ultimate responsibility resides with the Provost & Executive Vice Chancellor, as UCD Affirmative Action Officer.
2. Other administrative officers who share responsibility for these programs are the Vice Provost--Academic Affairs, the Associate Vice Chancellor--Human Resources, and the Chief Compliance Officer.

H. University relations

Each member of the campus community has a responsibility for the development of positive attitudes toward the University through all avenues of communication.

1. Several colleges and schools have alumni, development, and communications functions to meet these responsibilities.
2. Administrative officers who report to the Vice Chancellor--Development and Alumni Relations assist members of the campus community and help coordinate college/school development and media relations efforts.

IV. Advisory and Decision-Making Groups

A. Work group

A work group is an administrative group responsible for implementing programs and carrying out policy decisions in a functional area that crosses administrative lines of authority. Although the group strives for consensus, the chair, as the administrator responsible for the primary functional area, is held accountable for the decision and its implementation. Work groups are appointed by the administrator responsible for the primary function and are composed of individuals from each administrative unit whose activities or responsibilities will be affected by the group's decision.

B. Administrative advisory committee

An administrative advisory committee is composed of faculty, students, staff, and administrators, and in some cases alumni and members of the community, to advise administrative units and work groups on policies affecting campus life and operations, or are committees mandated by existing University policy or Federal or State regulations. The administrative advisory committee system is one of the mechanisms by which campuswide participation in decision-making is promoted.

C. Administrative council

An administrative council functions as both a work group and an advisory committee. A council is created when it is determined that direct input of a specified advisory group is essential to the decision-making process of a work group and it cannot be achieved through the use of a standing advisory committee.

D. Task force

A task force is a temporary grouping of individuals appointed to study and make recommendations on special issues. Membership is composed largely of experts in the area under consideration. A task force may or may not be representative of all constituencies.

E. Professional staff advisory group

A professional staff advisory group is a standing group responsible to the Chancellor and vice chancellors for review, analysis, and advice on a specific function. The group is composed of professional staff from appropriate administrative units who have expertise that bears upon the function or activity.

F. Campus advisory group

A campus advisory group is a standing group responsible to the Chancellor and vice chancellors for review, assessment, recommendation, and assistance for implementation on specific campus functions or activities that cross administrative organizations. The group may be composed of representatives from faculty, staff, students, and administrative units, and may include public members. Membership is appointed by the appropriate administrator and/or constituencies. The responsible administrator has authority and responsibility for final decision and implementation.

V. References and Related Policies

A. UC Davis Administrative Organizational Chart.

B. UCD Policy and Procedure Manual Section 200-60, Assignment of Administrative Authority.

I. Purpose

A. This section defines the policy for formal review of administrative units in order to assess overall performance and enhance the efficiency and effectiveness of administrative practices in support of the University's mission of teaching, research, and public service.

B. This policy applies to all administrative units, including academic support and student services units, within the purview of the Office of the Chancellor/Office of the Provost, the Vice Chancellors, the Vice Provosts, and the Dean—Graduate Studies (referred to as senior administrators).

II. Policy

A. Senior administrators and their management teams have responsibility for ensuring that unit goals are defined, agreed upon, and met; and that units are operating effectively and efficiently, by calling for appropriate reviews periodically.

B. Senior administrators must provide an annual report to the Chancellor and Provost that identifies the top-level strategic and service improvement goals for departments under their purview.

C. Senior administrators must ensure that each administrative unit receives a comprehensive administrative review at least once every five years, evaluating the strategies, efficiency, and service level of operations.

III. Review Requirements

A. Unit reviews might address the following:

1. Mission and goals

   Confirm that the unit has appropriate mission and vision statements, accompanied by achievable goals that are supportive of, and in alignment with, the campus mission; and that managers and employees clearly understand and carry out their mission, vision, and goals.

2. Planning

   a. Confirm that there is a short- and long-term planning process that helps the unit anticipate and effectively respond to changes in internal and external environments including budget constraints, technology developments, regulatory requirements, and directions being taken by peer organizations.

   b. The planning process should also include methodology for assessing and improving the unit's performance.

3. Resource management

   Consider whether resources available to the unit are used efficiently and effectively to meet unit and campus goals customer needs, and whether changes in the level of resources available to the unit may be warranted by changes in the unit's mission, its internal business practices, or the level and types of services required from the unit by campus and external customers.

4. Service delivery

   Examine the customer feedback processes that the unit uses to learn about the needs and expectations of groups for which they provide services, the satisfaction levels of these groups, and how the unit responds to feedback and uses the information to modify service delivery.

5. Communication

   Ensure that effective communication strategies are in place to meet the needs of customers and unit employees.

6. Workplace climate

   Examine efforts to build and maintain an environment conducive to excellence, engagement, continuous process improvement, appreciation of diversity, and personal and organizational growth.

7. Policies, practices, and processes

   a. Assess the unit's practices to determine whether they are consistent with the unit's mission, vision and goals, and with systemwide and campus policies.

   b. Examine how the unit's administrative, support, and operational processes are developed, managed, and continuously improved, identifying processes that could be shortened or eliminated, procedures that could be streamlined, practices that could be revisited, additional training that might be provided, and/or technology that could be introduced to increase unit efficiency and effectiveness.

B. Review structure and format

1. The senior administrator will determine the specific form of the review based on the circumstances within the unit to be reviewed, the review objectives, and resources available for the review.

2. A review should incorporate an external dimension that includes comparable performance indicators, consulting peers or consultants outside the campus who are familiar with comparable institutions and can provide reliable performance criteria, or inviting reviewers outside the unit to conduct or assist with the review.

3. A review should include the opportunity for significant customer and employee input (e.g., surveys, focus groups, participation on review teams) on the quality, effectiveness, efficiency, and work climate of the unit.

4. The unit manager should communicate with unit employees regarding the status and preliminary findings of the review and provide an opportunity for employee feedback and discussion.

C. Waiver of review

Senior administrators may seek a waiver of formal review of units from the Chancellor and Provost if senior administrators and managers are able to demonstrate that a unit is meeting the criteria outlined in III.A, above.

D. Reports

1. Administrative review reports

   a. The unit manager or the chair of the administrative unit review team will summarize review findings and recommendations in a report to the senior administrator.

   b. The senior administrator or designee will assure that appropriate actions are taken in response to the report.

2. Annual reports

   Each senior administrator must provide a report to the Chancellor and the Provost, including the following, by May 1 of each year:

   a. Progress made on achieving review goals from previous years, including a list of strategic and service improvements.

   b. Administrative reviews planned for the next fiscal year.

   c. Units for which a waiver of administrative review is requested.

IV. Further Information

For additional information on annual reports and administrative reviews, or for assistance in conducting administrative reviews, contact Organizational Excellence; 530-752-6019; oe.ucdavis.edu.

UC Davis
2016-17 Student Fees
Undergraduate California Residents [1]
CHARGES ARE SUBJECT TO CHANGE WITHOUT NOTICE. *

FULL TIME UNDERGRADUATE FEES CALIFORNIA RESIDENTS	Fall Quarter	Winter Quarter	Spring Quarter	Annually
ASUCD Fee	$ 35.00	$ 35.00	$ 35.00	$ 105.00
Memorial Union Fee	$ 28.50	$ 28.50	$ 28.50	$ 85.50
Facilities and Campus Enhancements Fee	$ 139.67	$ 139.66	$ 139.66	$ 418.99
Campus Expansion Initiative	$ 183.22	$ 183.22	$ 183.22	$ 549.66
Student Services Maintenance Fee and Student Activities and Services Initiative Fee	$ 114.96	$ 114.95	$ 114.95	$ 344.86
Student Facilities Safety Fee	$ 22.00	$ 22.00	$ 22.00	$ 66.00
Student Services Health Fee	$ 48.00	$ 48.00	$ 48.00	$ 144.00
Unitrans	$ 6.00	$ 6.00	$ 6.00	$ 18.00
The Green Initiative Fund (TGIF) Fee	$ 3.00	$ 3.00	$ 3.00	$ 9.00
California Aggie Fee	$ 3.73	$ 3.73	$ 3.73	$ 11.19
Student Services Fee	$ 358.00	$ 358.00	$ 358.00	$ 1,074.00
Tuition	$ 3,740.00	$ 3,740.00	$ 3,740.00	$ 11,220.00
TOTAL, California Residents (excludes Health Insurance)	$ 4,682.08	$ 4,682.06	$ 4,682.06	$ 14,046.20
Health Insurance Fee [2]	$ 764.00	$ 764.00	$ 764.00	$ 2,292.00

PART-TIME UNDERGRADUATE FEES CALIFORNIA RESIDENTS	Fall Quarter	Winter Quarter	Spring Quarter	Annually
ASUCD Fee	$ 35.00	$ 35.00	$ 35.00	$ 105.00
Memorial Union Fee	$ 28.50	$ 28.50	$ 28.50	$ 85.50
Facilities and Campus Enhancements Fee	$ 139.67	$ 139.66	$ 139.66	$ 418.99
Campus Expansion Initiative	$ 183.22	$ 183.22	$ 183.22	$ 549.66
Student Services Maintenance Fee and Student Activities and Services Initiative Fee	$ 114.96	$ 114.95	$ 114.95	$ 344.86
Student Facilities Safety Fee	$ 22.00	$ 22.00	$ 22.00	$ 66.00
Student Services Health Fee	$ 48.00	$ 48.00	$ 48.00	$ 144.00
Unitrans	$ 6.00	$ 6.00	$ 6.00	$ 18.00
The Green Initiative Fund (TGIF) Fee	$ 3.00	$ 3.00	$ 3.00	$ 9.00
California Aggie Fee	$ 3.73	$ 3.73	$ 3.73	$ 11.19
Student Services Fee	$ 358.00	$ 358.00	$ 358.00	$ 1,074.00
Tuition **X 1/2**	$ 1,870.00	$ 1,870.00	$ 1,870.00	$ 5,610.00
TOTAL, California Residents (excludes Health Insurance)	$ 2,812.08	$ 2,812.06	$ 2,812.06	$ 8,436.20
Health Insurance Fee [2]	$ 764.00	$ 764.00	$ 764.00	$ 2,292.00

UNDERGRADUATE UC EMPLOYEE FEES [3]	Fall Quarter	Winter Quarter	Spring Quarter	Annually
Student Facilities Safety Fee	$ 22.00	$ 22.00	$ 22.00	$ 66.00
Student Services Fee **X 1/3**	$ 120.00	$ 119.00	$ 119.00	$ 358.00
Tuition **X 1/3**	$ 1,247.00	$ 1,247.00	$ 1,246.00	$ 3,740.00
TOTAL, UC Employees	$ 1,389.00	$ 1,388.00	$ 1,387.00	$ 4,164.00

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[1] All new Undergraduate, Graduate Academic, and Graduate Professional students admitted for the 2016-17 academic year will be charged a one-time, life-time document fee of $150.00. Graduate students in the strictly professional degrees (M.D., J.D., D.V.M. and M.B.A.) are excluded and will continue with Pay-per-service charges. More information about the document fee is available at https://registrar.ucdavis.edu/local_resources/docs/doc-fee/document_fee.pdf.

[2] The University of California Regents mandates that all students have health insurance. UC Davis automatically enrolls all registered students in the UC Student Health Insurance Plan (UC SHIP). If students have comparable insurance and do not want to be enrolled in UC SHIP, they must apply for a UC SHIP waiver by the date specified for their school. More information about the UC SHIP is available at http://shcs.ucdavis.edu/insurance.

[3] Assumes employees are California residents and part-time students.

STUDENT FEE AND TUITION OVERVIEW – UC DAVIS
Description and Use

SYSTEMWIDE FEES	Tuition (formerly Educational Fee)	Student Services Fee (formerly Registration Fee)	Nonresident Supplemental Tuition (formerly Nonresident Tuition)	Professional Degree Supplemental Tuition (formerly Professional School Fee)
Date Established	1970	1970s	1970s	1994
Approval Authority	Regents	Regents	Regents	Regents

2016-17 Fee*				
Undergraduate	$11,220	$1074	$26,682	
Graduate	$11,220	$1074	$15,102	
Professional	$11,220 (includes students in Vet Med, GSM, Law, Medicine, School of Nursing, Health Informatics, CANDEL, MPVM and Public Health – CA Resident only)	$1074	$12,245	$4,410 – $34,182
Non-Resident	$11,220	$1074	See Above	

USES	▪ University-wide Operating Budget Support (same as general funds) ▪ Financial Aid: 33% (undergrad & prof) and 50% (grad) of the fee increase over prior year used by campuses as need-based financial aid.	▪ Student Support Services that benefit students and are complimentary but not a part of the instructional program (e.g., counseling, advising, recreation programs, capital) ▪ Debt service on Dutton Hall and Memorial Union ▪ Mental Health.	▪ University-wide Operating Budget Support (same as general funds) ▪ University-wide debt service on deferred maintenance revenue bonds.	▪ Professional School Operating Budget Support. ▪ Financial Aid: 33% of the fee increase over prior year must be used for financial aid.
NOTES	▪ Fee income administered by the campuses. ▪ Fee is uniform across all campuses. ▪ Two-thirds allocated to general funds. ▪ Spring 2003 fee increase was first since 1994-95. ▪ State provided inflationary adjustments in lieu of fee increase in 2006-07. ▪ Equal to tuition at other Universities of California.	▪ Fee income retained by the campus & administered as part of the campus budget process. ▪ Fee is uniform across all campuses. ▪ Fees may not be used to fund instruction, research, or public service. ▪ Program uses reviewed by Student Council on Student Affairs and Fees. ▪ 2011-12 is the first year the SSF had an RTA component. ▪ Fall 2015 fee increase was first since 2011-12.	▪ Fee income retained by the campus and administered by part of the campus budget. ▪ Fee is uniform across all campuses ▪ Fee income administered by the Office of the President as part of the University's General Fund Income until 2008. ▪ Undergraduate NRST - Fall 2015 fee increase was first since 2011-12	▪ All income retained and administered by the professional school. ▪ Fee increases are approved by the Regents.

Student fee charts: http://budget.ucdavis.edu/studentfees *Fees exclude summer quarter.

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STUDENT FEE AND TUITION OVERVIEW – UC DAVIS
Description and Use

CAMPUS-BASED FEES	ASUCD	Memorial Union Fee	Facilities & Campus Enhancement Fee (FACE) (LEEAP for Law Students)	Student Services Maintenance Fee & Student Activities and Services Initiative Fee	Student Facilities Safety Fee	Student Services Health Fee
Date Established	1934	1957	1999	1994	1995	1997
Approval Authority	Referendum	Referendum	Referendum	Referendum	Chancellor	Referendum

2016-17 Fee						
Undergraduate	$105	$85.50	$418.99	$344.86	$66	$144
Graduate		$85.50	$418.99		$66	$144
Professional		$85.50	$418.99 $394.03 (Law)		$66	$144
Non-Resident		$85.50	$418.99		$66	$144

USES	Operating Budget Support ▪ Unitrans ▪ ASUCD	Capital Improvements ▪ Memorial Union	Operating Budget Support ▪ Recruitment & Retention Center ▪ Sports Clubs ▪ IM Sports ▪ Financial Aid Capital Projects ▪ ARC ▪ Schaal Aquatic Center. ▪ Stadium ▪ Equestrian Center ▪ Rec Hall	Operating Budget ▪ ICA, Sports Clubs, IM Sports ▪ Rec Programs ▪ Rec Hall ▪ Equestrian Center ▪ Cross-Cultural Center ▪ Women's Resource Center	Debt Service for Seismic Renovations ▪ North & South Halls ▪ Memorial Union Life Safety Projects in Student Service Facilities Financial Aid	Operating Budget Support ▪ Student Health and Wellness Center ▪ Financial Aid
NOTES	Undergrad Fee		Subject to annual CPI adjustments on operating budgets.	Subject to annual CPI adjustments.	T he Chancellor may impose a fee to upgrade facilities for life safety.	

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STUDENT FEE AND TUITION OVERVIEW – UC DAVIS
Description and Use

CAMPUS-BASED FEES	Campus Expansion Initiative (CEI)	Unitrans	The Green Initiative Fund	The California Aggie Fee
Date Established	2003	2007	2016	2016
Approval Authority	Referendum	Referendum	Referendum	Referendum

2016-17 Fee				
Undergraduate	$549.66	$18	$9	$11.19
Graduate	$192.81			
Professional	$192.81 $183.47 Law			
Non-Resident	See Above	See Above	See Above	See Above

USES				
	<u>Operating Budget Support</u> ▪ Athletic Scholarships ▪ Unitrans ▪ Sports Clubs ▪ IM Sports ▪ Financial Aid <u>Capital Projects</u> ▪ Coffee House Upgrades ▪ Student Community Center ▪ Student Health and Wellness Center	▪ Operating Budget Support ▪ Financial Aid	▪ Student-lead activities and projects that promote sustainability and reduce greenhouse emissions ▪ Financial Aid	▪ The California Aggie Newspaper ▪ Financial Aid
NOTES	Subject to annual CPI adjustments.	Undergraduate Fee	Undergraduate Fee	Undergraduate Fee

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STUDENT FEE AND TUITION OVERVIEW – UC DAVIS
Description and Use

CAMPUS-BASED FEES	GSA Fee	LSA Fee	Health Insurance (SHIP)	Course Materials and Services Fee
Date Established	Not available	Not available	Not available	1999
Approval Authority	Referendum	Referendum	Chancellor	Chancellor

2016-17 Fee				
Undergraduate			$2,292	- Not to exceed $65/course for undergraduate courses whose actual costs range between $1 to $160 per student per course. - Not to exceed $80 for courses who actual costs are over $160 per student per course.
Graduate	$36		$4,344	
Professional	$36 (Management , Masters of Public Health, CANDEL, Health Informatics, Preventive Vet Med and School of Nursing)	$60 (Law only)	$4,344 $3,393 (Medicine) $41 (Disability Insurance Fee Applies to MD students only)	$2,524 Vet Med $500 Medicine
Non-Resident			See Above	

USES	Fund programs administered by the Graduate Student Association	Funds programs administered by the Law Students Association	Health Insurance Premiums	Operating Budget Support Reimburse academic department for cost of course materials consumed and services provided.
NOTES	See bylaws for more information. http://gsa.ucdavis.edu/	See webpage for more information. http://students.law.ucdavis.edu/lsa/	Fall 2015 UC Davis has elected to participate in the medical insurance coverage through the UC system-wide UC SHIP program. Required unless proof of comparable insurance provided.	See UC Davis Policy and Procedure Manual 330-86 for more information. 2015-16 CMS Fees can be found at http://budget.ucdavis.edu/studentfees/special-reports/index.html

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STUDENT FEE AND TUITION OVERVIEW – UC DAVIS
Description and Use

CAMPUS-BASED FEES	Summer Session 2016 – Unit Fee	Summer Session 2016– Campus Fees	Document Fee	SISS International Student Administrative Fee
Date Established			Fall 2013	Fall 2017**
Approval Authority	Regents	Referendum/Chancellor	Chancellor	Chancellor

2016-17 Fee				
Undergraduate	$272/unit	$299.48/session	See uses below	See uses below
Graduate	$272/unit	$168.30/session	See uses below	See uses below
Professional			See uses below	See uses below
Non-Resident	See Above	See Above	See uses below	See uses below

USES	Operating Budget Support	Operating Budget Support ▪ Student Health Center ▪ Counseling Center ▪ Unitrans ▪ Student Services Programs and Capital Projects ▪ Student Facilities Safety ▪ FACE projects ▪ Memorial Union ▪ Campus Expansion Initiative projects	The Document Fee is a $150 One-time fee charged to new Undergraduate, Graduate Academic, and Graduate Professional students that replaces individual transaction cost. Graduate students in the strictly professional degrees (M.D., J.D., D.V.M. and M.B.A.) are excluded and will continue with Pay-per-service charges	The International Student Administrative Fee (ISAF) is an annual fee of $330 that will be charged each term ($110 per quarter or $165 per semester) to all international students in F-1 and J-1 status, excluding UC Education Abroad and students whose I-20 or DS-2019 forms are not issued by UC Davis. **Not effective until Fall 2017
NOTES	See webpage for more information: http://summer-sessions.ucdavis.edu/ Non-UC students pay a higher per unit Summer Session Fee (Summer 2016 $340 per unit.)	International Summer Sessions offers non-matriculating international students the opportunity to take classes at the University of California, Davis, during two, six-week summer sessions. Overview of the tuition & fees for this program can be found at: http://summerstart.ucdavis.edu/payment.asp Non-UC students pay a summer campus fee of $299.48 per session and UC Career Staff pay a fee of $11 per session. See webpage for more information: http://summer-sessions.ucdavis.edu/	The fee was approved by Chancellor July 2013 and developed by the Division of Student Affairs. https://registrar.ucdavis.edu/local_resources/docs/doc-fee/document_fee.pdf	https://siss.ucdavis.edu/students/fees_tuition.html

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Gary Rhoades

Rising Administrative Costs

Seeking Explanations

By essentially any measure, administrative costs in colleges and universities have risen dramatically during the past two decades, disproportionately more than the costs of instruction and research. Accelerating a four-decade pattern, expenditures for presidents, deans, and their assistants grew 26 percent faster than instructional budgets in the 1980s [3]. The increase for administrative costs per full-time equivalent student in the 1980s, nationwide, was 46 percent, exclusive of monies spent on the administration of libraries, student services, research, and physical plant. Between 1973 and 1974 and 1985 and 1986, the *share* of "education expenditures" spent on administration (institutional support, student services, and academic support minus libraries) increased 2.7 percentage points for all public universities, while the instruction share declined 2.0 percentage points — changes that measure in the billions of dollars, nationally [24]. According to HEGIS/IPEDS data for 1975-86, administrative costs increased faster than academic costs in all higher education sectors [35, 39]. In private colleges, the median rate of increase for administrative and support expenditures was 4 percent per year, in real terms, versus less than 3 percent per year for academic expenditures.

Regarding changes in the number and salaries of administrators,

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Equal Employment Opportunity Commission data for 1975–85 showed a 6 percent growth in full-time faculty; an 18 percent growth in "executive, administrative, and managerial employees"; and a 61 percent growth in "other professionals," who are degree-holding employees often accounted for in administrative categories.[1] For 1985–90, the increases were 9 percent, 14 percent and 28 percent, respectively [21, 22]. Secretarial and clerical staff grew at a faster rate than faculty. The only group to show a decline was service and maintenance personnel. At some large universities, the numbers were even more dramatic. At UCLA the number of faculty members declined 6.8 percent from 1977 to 1987, at the same time that executive, administrative, and managerial employees increased 35.8 percent. AT MIT, faculty members increased by 7.6 percent from 1981 to 1989, whereas administrative personnel increased by 37 percent. Even when faculty numbers increased substantially, as at Ohio State University, where they increased by 29.2 percent between 1979 and 1989, the increase in executive, administrative, and managerial personnel well outpaced that growth, being 71.2 percent, while other professionals increased by 139 percent.[2] If we consider salaries, the declines were somewhat less for administrators: between 1971 and 1972 and 1984 and 1985, the average real salaries of faculty and administrators declined by 16 and 13.1 percent, respectively. When those figures are disaggregated for administrators, the data reveal increased salary dispersion among administrators, as well as among faculty [26, 33].

Concerns are widespread. Three-quarters of the member institutions of the Association of American Universities report having recently attempted to reduce administrative costs [23]. State legislators and institutional trustees specifically have targeted administrative costs; in two states legislatures recently have mandated 10 percent reductions in administrative expenditures. When Arizona's Joint Legislative Budget Committee launched a study of administrative costs in higher education in 1992, Arizona became only the most recent of several states to express concern over the increasing allocation of higher education's resources away from instruction to institutional administration. In chairing the subcommittee responsible for the Arizona study, it has become clear to the senior author of this article that the Arizona study, like similar efforts in many other states, merely will estimate and compare growth in administrative costs to comparable costs in peer institutions, over time. By contrast, in this article we hope to focus future studies of costs in ways that will sharpen the understanding of why administrative costs rise and will inform decision making and practice.

Knowing where administrative costs have increased is crucial to understanding causes. Unfortunately, such data tell us little about the nature of or the explanations for spiraling administrative costs. The data are aggregated at too high a level to permit identification of causes. Our aim is to conceptualize the probable causes of increased administrative costs in hypotheses that can be examined empirically. We develop, herein, propositions that account for escalating costs in different branches and levels of higher education administration. We focus on prevailing economic assumptions and predominant explanatory frameworks as found in the literature. We also develop our own explanations, focusing on the analytical value of two sets of constructs: the "internal position" (that is, organizational distance among) and budgetary authority of administrators, and the relationship between internal administrative stratification and external structures of power.

What Are Administrative Costs?

Whatever expenditure categories are used to measure and explain administrative costs, there will be some dispute about definitions. A good example is "academic support." Some will argue that only a modest portion of academic support costs are administrative in nature, for that category encompasses all costs associated with libraries, museums, academic computing, and other support activities, whereas others may hold that any support activities should be viewed as "administrative." Although open to disagreement, among finance professionals administrative costs generally are taken to be either institutional support or the combination of institutional support, academic support (minus libraries), and student services, as these categories are defined in *College and University Business Administration* [36].

What Do the Increases Tell Us?

Most faculty, like the authors of this article, probably would uncritically accept the assumptions that faculty are the primary "production workers" in colleges and universities and that resource shifts away from production activities such as teaching and research are undesirable. Many administrators take issue with the first assumption, arguing that nonfaculty personnel also produce higher education outputs and, more important, are superior to faculty at enhancing revenues, thereby calling into question the assumption that resource shifts away from faculty-centered activities are problematic.[3] How, then, should we judge the empirically documented resource shift?

One issue is whether increased administrative costs have contributed to improved administrative services. Administrative cost increases *may* signal improved services to clients. Unfortunately, most institutions do not evaluate administrative services through the kinds of client assessments used to evaluate faculty teaching. A survey of AAU member institutions revealed that virtually none of the universities regularly review their nonacademic units [9].

Ultimately, of course, the issue is not whether administrative cost increases reflect improved administrative services; the issue is whether expended resources might have served the institution better if the expenditure had been for instruction, research, or service. In this broader calculus, administrative expenditures are conceptualized as opportunity costs, that is, revenues forgone by production activities. In the end, evaluating expenditure trends is a matter of priorities, of what one values, and of the power to enact those value preferences. We address such matters only incidentally.

Our primary purpose is to provide readers with a conceptual apparatus for exploring the causes of administrative cost increases. By identifying some of the forces and processes operative within institutions, we hope not only to enhance understandings of the cost-increase phenomenon, but also to facilitate the assessment and control of administrative costs within institutions.

Why Have Administrative Costs Increased?

In discussing why administrative costs have increased, we start with economic assumptions about nonprofit organizations and actors regarding revenue maximization, assumptions made by economists and finance scholars who have dominated the discourse about costs. We then address what is perhaps the most commonly identified source of administrative cost increases, government regulation, by linking it to resource dependency and institutional theory, two prevalent bodies of organization theory that often have been utilized in analyzing institutional resource allocation patterns. Subsequently, we consider explanations grounded in current criticisms of universities regarding the increased emphasis on research and of community colleges regarding the alleged failure to focus on institutional missions. We relate these criticisms to classic organization theory regarding size, complexity, and administrative structure.

One of the shortcomings of commonly cited explanations of administrative cost increases is that they do not specify mechanisms that account for how the increases in administrative costs are realized: the patterns are explained at a structural level, but no attention is paid to the way structural effects are translated into action. Therefore, we turn to a range of published accounts of managerial practices, starting with probably the most widely read contributors to the literature on administrative cost and productivity in higher education, William Massy and Robert Zemsky. We then examine institutional theory, currently one of the most prominent organization theories, in order to identify mechanisms that drive administrators' actions. Finally, we develop two accounts of our own to account for managerial actions: the first focuses on the relative internal position and budgetary authority of administrators; the second focuses on the relationship between internal administrative stratification and external structures of power.

In sum, we review the most common, prominent, and important explanations and theories regarding administrative costs, and we generate propositions that connect them to specific patterns of administrative expenditures. Our conceptual analysis, then, seeks to set out in quite specific and measurable terms what patterns of administrative cost increases would be found if a particular explanation of such costs were accurate. Some of the propositions can be seen as contradictory, as we will note; others can be seen as complementary and additive, perhaps accounting for cost increases in different parts of administration. Still others may interact with each other, with one theory defining and specifying the conditions under which and the mechanisms by which another theory is operative. A precedent for examining such interactive effects in the field of organizations was established by Tolbert [50], who focused on institutional and resource dependency theories.

Specifying the relationships among the explanations and theories is beyond our purpose here. There is, for example, no rank order to our propositions. Further, given that individual social science theories tend to account for limited amounts of variance, there is likely to be utility in several of the propositions. However, the propositions do operate at different levels of generality in accounting for costs and thus vary in how fine-grained a level of explanation they can offer. Some of the propositions refer to a level of generality that cannot distinguish variations in costs within administrative subcategories such as institutional support. Others refer to the growth of specific kinds of offices and do not account for increases and costs in other administrative units. Some of the propositions are more geared to administrative costs at the central level of administration; others address variations between cost increases at the central and college levels; and still others speak to variations within and across various administrative levels. Although we ourselves differ as to how much weight should be given to each mechanism driving the increases in administrative costs, we share the belief that how such increases are achieved in the resource allocation processes within higher education institutions must be addressed. This means taking into account administrators' budgetary authority and their perceptions of various units' needs, productivity, and value, which are subjective perceptions shaped by more than objective reality.

Characteristics of Profit and Nonprofit Firms

In the profit sector economists normally begin with the assumption that firms are profit maximizers. A corollary is that they are cost minimizers; that is, the more costs are controlled, the more profits may rise. Management's resource allocations to functions such as administration are connected to the profit motive. Although there are many known limitations to this assumption, it is generally considered to be basic in microeconomic theory and empiricism [42].

In the nonprofit sector the parallel assumption is that nonprofit organizations are *revenue* maximizers [27, 52]. They exist to serve clients. The more revenues one has, the more clients can be served. A related point is the assumption that "professionals" are motivated largely by altruism to clients, rather than by extrinsic rewards.[4]

In the special nonprofit case of higher education, economists and non-economists alike hold that the ultimate aim of revenue maximization is prestige [for example, 5]. In pursuit of more prestige, institutions spend all the revenue that they can obtain; in essence costs equal revenues. Seen perhaps most clearly in the case of research universities and elite liberal arts colleges, organizational managers and members direct their energies and institutional resources primarily toward activities that will enhance institutional status, particularly in professional circles. The implicit presumption is that resources will be allocated principally to the production activities of instruction and, especially in the case of universities, of research.

Efforts to maintain or improve one's competitive position increase costs, because higher education suffers from "the cost disease" [2]. Higher education is highly labor intensive; productivity improvements are difficult to achieve through new technologies. It is instructive that some higher education services appear not to suffer from this disease, in that their shares of institutional budgets in fact have decreased. Libraries and operations and maintenance functions are examples.

Diversifying Revenue Sources.

In the 1980s, as shares of revenues from state appropriations declined, institutions of higher education increased their search for additional funds in a manner quite consistent with historic patterns that are characteristic of the private, for-profit sector. Searching for "new sources of supply of factors of production" is how Schumpeter characterized one of the ways by which firms typically seek to regain homeostasis during periods of fiscal stress [46]. Whether it is in generating private funds through voluntary support and tuition increases, in patenting and licensing new technologies and products, or in pursuing arrangements with business, colleges and universities of the 1980s and 1990s accelerated their search for "new money" [19, 32, 44]. The search contributed to a shift in the distribution of organizational expenditures from instruction to research and service and to administration. The more secure funding *base* was state government, whose priority was instruction, whereas marginal revenues came from industry and the federal government, whose priorities leaned more toward service and research. These new realities not only diverted resources away from instruction toward service and research but raised administrative costs, as new offices and administrative assignments were added to lead, encourage, and support such revenue sources.[5]

> *Proposition 1:* The more an institution emphasizes the generation of alternative revenues, the greater the proportion of resources that are directed to administrative units perceived as (potentially) generating such revenues.

In recent years, for example, development (a euphemism for fund raising) and technology transfer offices in some institutions have come to be seen as vital to generating additional revenues. The focus on perception, that is, potential payoff, is critical because budgetary decisions can be driven as much by perceptions as by realized income. If the proposition is accurate, those nonacademic units perceived by budgetary decision makers as potential revenue enhancers will receive disproportionately large expenditure increases. To test the proposition empirically, one might categorize administrative units as revenue seekers versus service providers, a priori, and then compare expenditure changes for the categories over time. Degree of institutional emphasis on generating alternative revenues could be determined through various documentary records, for example, presidential public statements and board minutes. Relative emphasis on revenue enhancement should be associated positively with proportional change in expenditure for administration.

State Regulation and Organizational Dependency.

During the past two decades, governments have increased their regulatory demands on the academy, and the increased regulatory burden often has been identified as the major reason for administrative cost increases. Regulation and ever-expanding requests for information by state and institutional governing boards result in the addition of administrative staff and expenditures.

> *Proposition 2:* Increased state and federal regulatory pressure on higher education is associated with the growth of administrative staff and expenditure.

Two related, sometimes competing, organization theories — institutional theory [18] and resource dependency theory [41] — bear on this proposition. In the former, organizational structures (and expenditure patterns) are shaped by organizations' efforts to sustain external legitimacy by conforming to the "institutional" environment, a set of normative understandings for a field of organizations — for example, the institution of higher education. Such norms are defined by government, professional associations, and by other successful organizations. By contrast, resource dependency links organizational structures (and expenditure patterns) to the organization's economic dependency on external organizations. Organizations develop structures that are complementary to the structures of the organization's resource providers.

The increasing state regulation of recent years could be interpreted as a clearer and more authoritative definition of what is normative and as having direct economic implications for organizations that are not in compliance. Institutional theory [18] points to three mechanisms through which normative influences of the environment are translated: one of these is the "coercive" mechanism of the state, which leads organizations to develop structures to address various legal and technical requirements of the state and, in the process, increasingly to mirror the state itself. For example, Newton Cattell [11], then federal relations director for the Association of American Universities, developed an "administrative clone theory," in which he argued that whenever legislation bearing on higher education was passed by the (federal) government, a new office was established in government to administer the law, and subsequently a "clone" of that office appeared on most major university campuses in America. Resource dependency theory would also point to organizations' increasing administrative expenditures to ensure compliance with state regulations and avoid economic penalties. At the same time, colleges and universities are increasing revenues from sources other than the state, which could have led many institutions to create still other structures complementary to external organizations other than the state. The driving force is economic dependency on an external organization, not normative conformity to the institutional environment. State regulations will be a factor only if there are some significant economic sanctions or consequences attached to non-compliance, whereas for institutional theory such regulations will affect organizational structure even if they are not enforced.

By tracking increases in the number of new regulations and requirements or of increased enforcement, researchers could follow the paper trail left by government regulators. Such measurements could then be associated directly with increases in the staff and/or expenditures of the affected units. The University of Michigan has made precisely these connections in a documented effort to respond to state criticism of administrative cost increases [49].

Organizational Complexity and Administrative Cost.

A related argument in the literature is that increased administrative costs are due to changing external demands and internal developments that have led colleges and universities to become increasingly complex in terms of their nonacademic responsibilities and their academic structures. The theoretical grounding for the complexity view is contingency theory [31], which holds that there is a positive relationship between an organization's technology and its formal structure. The more complex the technology or the technological demands internally, the more complex the organizational and administrative structures of the organization. A limitation of the theory is that it does not enable one to specify where nor how administrative costs will rise. Brinkman and Leslie [8], in reviewing sixty years of research on economies of scale in higher education, found that both institutional size and complexity were positively related to essentially all expenditure patterns, *especially* to administrative costs.[6] Blau [4] reported a relationship between differentiation and numbers of administrators, a finding that mitigates against administrative economies of scale through greater size alone.

In the literature, complexity is generally operationalized in terms of mission, with teaching institutions being regarded as less complex than public research universities.[7] Increased complexity may stem from an increased emphasis on research or service or from an increasing complexity within mission components, such as within the teaching function. This phenomenon was witnessed in the transition of many junior colleges to comprehensive community colleges over the past several decades.

Normative data suggest that public service and especially research are relatively costly to administer [5, 20]. It follows that because research and service recently have expanded faster than instruction, administrative costs also have grown disproportionately. Quite aside from administrative cost increases, for universities the decline in the *share* of budgets devoted to instruction can easily be seen as an artifact of growth in research and service: if budget shares increase in two of three mission areas, the share for the third (instruction) must decline, all else equal. The foregoing suggests proposition 3.

> *Proposition 3:* The more complex an institution becomes, the greater the share of its expenditures that will be devoted to administration.

Testing this proposition should be fairly straightforward. One would need first to classify institutions by complexity changes over time and then, via regression analysis, compare institutional changes in administrative costs. The necessary data could be obtained from HEGIS/IPEDS. (Such data for 1975–86 do *not* appear to support the proposition [35].) For example, one could compare administrative cost changes for major research universities to those for selective liberal arts and community colleges. Within a sector, one could compare institutional types that have increased in complexity to those that have been more stable, for example, comprehensive community colleges to junior colleges.[8] Regression analysis or adjustments would be necessary to control for important confounding variables, such as the changing amount of research and public service activity in universities. Problems of circularity between cause and effect would have to be addressed, and a more (statistically) sensitive method for classifying institutions by complexity might be required. For example, one might utilize number of degree programs per institution as the independent variable rather than the more abstract notion of mission complexity. Moreover, it would be necessary to determine whether the administrative cost increases were realized in administrative units that oversee the more complex functions and activities.

Accounts of Managerial Actions: The Administrative Lattice.

A major shortcoming of the explanations considered thus far is that they may account for shifts in the budget shares of instruction and administration at a structural level without specifying the mechanisms that contribute to such shifts. In other words these explanations largely imply that associated administrative cost increases are inevitable outcomes of recent structural changes in higher education: There is no discretion in increasing administrative expenditures; decisions are determined technologically, not discretionarily [42]. Under the "deterministic" model, evidence is normative; appropriate data sets reveal how money is in fact being spent within institutions, and little more. By examining the *mechanisms* for expenditure changes, however, one may be able to separate the increases conceptually into determined and discretionary components. To put the matter simply, an institution may need to respond to some change in the environment; it may not need to appoint a new vice president to do so.

One of the most prominent accounts of managerial actions driving the escalation of administrative costs is Massy and Zemsky's conception of the "administrative lattice" [38]. Although they emphasize the interaction effects between "external drivers" of administrative cost increases, such as regulation and the internal forces associated with the lattice, Zemsky and Massy [54] point to three internal processes that contribute to proliferating administrative staff and costs, each of which we translate into a proposition.

> *Proposition 4:* Increases in administrative costs are a function of administrators taking on functions formerly performed by faculty.
>
> *Proposition 5:* Increases in administrative costs are a function of the growth of consensus management in administration.
>
> *Proposition 6:* Increases in administrative costs are a function of the self-perpetuating growth of administration.

Proposition 4 is consistent with the argument commonly found in discussions of academic productivity: that faculty have increasingly turned their attention away from instruction and advising to research. The corollary is that administrators (or professional staff) have taken on some of the foregone tasks. The case of advising is most easily tested: if this shift has occurred, we would expect to find disproportionate increases in particular student services components of administrative costs and in the number of positions providing direct academic services to students (academic advising, but not, for example, student health). A thorough test of proposition 4 would also have to demonstrate a substantial reduction in faculty time spent on advising. For example, one could compare over time faculty self-reports of their activity. Even though such self-reports may be suspect, there is little reason to believe that faculty have become more or less truthful, temporally. Ideally, one would examine time series data for a panel of institutions; second choice would be time series data for different institutions.

The concept of consensus management, in proposition 5, refers to managers' efforts to promote participative management and ensure extensive involvement in decision making *in central administration matters.* (Consensus management is *not* the same as shared governance, which involves faculty and administrators at all levels.) In some cases, consensus management can involve the risk aversion that is believed to be more typical of managers in nonprofit organizations than in for-profit enterprises. Consensus management is expensive: democratic processes create more work for more people and therefore lead to the addition of staff. If proposition 5 is correct, we would expect to observe larger increases in the number of administrative positions than in either nonpersonnel expenditures or average personnel salaries. Moreover, we would expect to find proportionally more of the new administrative positions in central administration than in subordinate administrative units.

Proposition 6 refers to the tendency for administrators to generate the need for more administration, implying pejorative intent. In part this proposition may be valid due to the principle that "supply creates its own demand" [25]: because administrators not only process work but create work for others. The growth may also be due to administrators' efforts to provide the best services possible; the appropriate test of the spending then is whether the quality gain is cost effective. If proposition 6 is accurate, again we would expect to find that increased costs stem primarily from the addition of administrative personnel.[9] Because this proposition could be seen as a corollary of other propositions, a robust test of the proposition necessarily would attend to the cause of the increased administrative costs — that is, determining how administrators justified the addition of new personnel, and whether those additional personnel affected the quality of service.

Accounts of Managerial Actions: The Non-Coercive Mechanisms of Institutional Theory.

One of the most prominent organization theories, currently, offers alternative explanations of the mechanisms that drive managerial actions, including actions related to increases in administrative costs. Noting the increased homogeneity of organizational forms and practices within a set of connected and similarly positioned organizations, institutional theorists such as DiMaggio and Powell [18] have identified three mechanisms that lead organizations to become increasingly similar or "isomorphic." We have already discussed the "coercive" mechanism of the state, in relation to proposition 2. A second mechanism consists of modeling ("mimetic") processes. According to DiMaggio and Powell, in periods of uncertainty, when the technologies for achieving success are unclear, organizations copy the practices of successful organizations. A third mechanism consists of "normative" processes associated with professionalization. As management becomes more professionalized and more involved in professional associations, the organizations in which managers work come to develop similar forms and practices. Such mechanisms could contribute importantly to increased administrative costs.

> *Proposition 7:* Faced with increased environmental uncertainty and with unclear technologies for achieving organizational ends, managers will increasingly adopt the administrative structures developed by successful organizations.
>
> *Proposition 8:* The more that administrators become involved in professional associations, the more they and their institutions will tend to adopt normative administrative structures and practices.

Proposition 7 might be paraphrased, "If Harvard is doing it, it must be a good idea." An excellent example is the rush to develop administrative offices of technology transfer in the hopes of replicating the revenue-enhancing successes such as those experienced by Stanford, MIT, and Wisconsin. (Note the co-relationship to proposition 1.) Although comprehensive cost-benefit analyses are lacking, the growing conviction in the literature is that for many if not most institutions, so far, costs have exceeded revenues. The test of proposition 7 lies in the timing and justification of new administrative offices and activities. From where did the idea for the new office originate? Is there a pattern of justifying the establishment of new offices by reference to what elites are doing?

The implication of proposition 8 is that once administrative structures are defined as normative in the relevant profession (for example, student affairs), they come to be adopted throughout the networks of higher education administrators. The mechanism is professionals (for example, business officers) keeping up with the "state of the art" in their field, by employing specialists to perform particular tasks or by purchasing new equipment and software systems. Profession-generated definitions of what is state-of-the-art drive decisions about administrative staffing and infrastructures, with their accompanying administrative expenditures. The test of proposition 8 lies directly in the justifications administrators provide for new administrative structures and staff and indirectly in the patterns of (innovation) implementation, by institution, in connection to respective levels of involvement by institutional administrators in professional associations.

The work of Tolbert [50] suggests the value of the institutional (and isomorphic) perspective in explaining administrative cost increases. From a sample of 167 public and 114 private institutions of higher education, Tolbert identified three administrative officers who represented responses to new or developing revenue sources in each of the two sectors, but which already were fully institutionalized in the other sector.

For the public sector, she selected the chief development officer, the director of admissions, and the director of alumni relations; for the private sector her selections were chief planning officer, director of information, and director of institutional research. In the former case, these officers had existed in the private institutions for some time because of private institution resource dependency on tuition and voluntary support; in the latter case, the officers had been common in the public sector because of resource dependency upon state government. The officers had been added in each sector in order to open or expand bases of financial support; the publics had sought to increase revenues from voluntary support and from tuition, and the privates had sought to gain resources from state governments. Both cases represent the development of isomorphism between the two sectors of higher education, isomorphism that involved considerable administrative costs. Moreover, one of Tolbert's key points is that when an office has been fully institutionalized (for example, the development functions in the privates), the size of the office is *not* correlated with the amount of funds raised or with the dependency of the institution on such funds. Administrative costs are shaped more by what is defined as normative than by what is in fact necessary or by the amount of work being done.

Accounts of Managerial Actions: The Discretion and Preferences of Administrators as Professionals.

For many scholars, the professionalism referred to by institutional theorists translates into a drive to excel. Professional administrators are concerned about quality and quantity of service to their clienteles: students, faculty, staff, and laypersons. Thus, better student counseling and more community service activities are sought, as are higher quality institutional research information and more effective planning. In contrast, many other scholars see professionals as being largely concerned with status attainment and control over their work (and clients). In order to gain and maintain status, professionals compete to "keep up with the Joneses." In the case of administrators, as James [29] suggests, the most highly regarded managers are those who are the "builders," the revenue maximizers for their own units, not those who cut their own budgets. The beliefs and cognitive frames that define the administration profession encourage administrative growth.

Whatever view we take of professionals, the concept enables us to recognize that members of the occupation enjoy a measure of discretion and to distinguish between allegiance to the profession versus the (employing) organization. This is as true for administrators as it is for academics. As long ago as 1969, Louis Pondy [42] made precisely this point in testing the hypothesis that professional managers can make "discretionary" as opposed to "technologically determined" decisions in allocating resources to administration. Dividing a sample of forty-five manufacturing industries into owner-managed and nonowner-managed firms, he found that "administrative intensity" (number of administrative personnel divided by the number of production personnel) was partially dependent upon whether the manager personally received the profits generated. Pondy concluded that whereas owner-managers were motivated more by profit, nonowner-managers demonstrated an "expense preference," a concept that has become basic to economic theory. His findings are consistent with later work on CEO pay [51].

Economists hold that those who control firms attempt to maximize their personal utilities through their expense preferences. Managers may claim that administrative costs are "determined" by external factors.[10] However, Williamson [53, p. 1047] found empirically, "Not only are the signs [of the coefficients] as predicted, . . . the magnitudes are sufficiently large to render somewhat doubtful the contention that discretionary effects are unimportant." He went on to conclude, "The notion of expense preference constitutes a critical part of the argument" (p. 1054). In the case of higher education managers, Bassett [1] put it more sharply:

> In colleges and universities, "the administration" would be unusual if it did not have similar expenditure preferences. So might the faculty, the librarians, and the OMP staff if they were similarly situated. Lip service is paid to the concept of administrators serving the students and faculty, but the comparative expenditure trends are empirical evidence that self-aggrandizing appurtenances of power preferences are in the aggregate being exercised by "the administration."

As Bassett notes, administrators are not alone in their "expense preferences." Much of recent discussion surrounding higher education has focused on the expensive and unproductive faculty preferences that run counter to the interests of the institution and its clients. Perhaps this is all the more reason to note the difference between the expense preferences of professional administrators and the externally determined needs of the organization.

Accounts of Managerial Actions: Organizational Position and Distance.

If both faculty and administrators, indeed all institutional players, have expense preferences, why is it that it is the costs of administration that have increased disproportionately? We believe that much of the answer lies in the locus of budgetary authority and in the concept of organizational distance. As to the former, the expense preferences of faculty can be mitigated by administrators, who possess the formal and most of the effective authority for financial decisions. For example, departmental faculty may wish to add another professor in a particular specialty, but their ability to act on that preference will be subject to their dean and perhaps the provost authorizing a search. In times of economic hardship, it is not uncommon for institutions to "sweep" vacant faculty lines to the central level, forcing academic units to compete for new positions. If the budgetary situation is judged by central administrators to be sufficiently serious, faculty hiring may be frozen or academic programs may be reorganized by central administrators in ways that retrench faculty positions in some parts of the institution. Of course, administrators face the same constraints as faculty in regard to external funding; however, it is administrators who possess the authority for internal allocation decisions, and in times of decline authority becomes more centralized.

Why have managers exercised their budgetary authority in ways that have contributed to disproportionate increases in administrative costs? Bassett [1], among others, might suggest that when individuals possess authority, they act in self-aggrandizing ways. If true, expenditure increases simply would be greatest for those administrators and units with the greatest budgetary authority. Without dismissing the possibility, we offer an explanation that focuses on a relationship between organizational structure and managerial perception.

The notion of organizational distance is embedded in political theories, whose importance in resource allocation have been clearly shown [10, 15]. Distance can refer to the physical separation of administrators from academics. Such separation into distinct floors and buildings was identified by Lunsford [34] as a major contributor to the development of separate identities among academics and administrators and to a corresponding sense of "us" and "them." The physical separation among administrators and academics limits their interaction, thus adding psychological distance. Distance also can be operationalized as the number of vertical layers between academics and those central administrators who possess primary formal budget authority.

Those administrators possessing the authority to make allocation decisions are forever faced with the opposing realities of scarce resources and insatiable resource demands. Their eternal dilemma is how to evaluate requests for resources and whose requests to honor, given constraints of time and disparate knowledge about the needs, work, and productivity of various units. As organizational distance between those with budgetary authority and production workers (for example, academics) increases, the needs of the latter come to be less personally and directly known, more abstract and less immediate. The resource allocator will possess more personal and accurate knowledge of the work responsibilities of those who are closer in distance. In the case of heads of reporting administrative units, presidents and provosts often deal more routinely with their vice-presidential colleagues than with subordinates such as college deans. Sometimes they have hired the vice presidents and are responsible for their performance appraisals. Moreover, the resource allocators know directly the increasing demands being placed on these administrative offices, because many of these demands will have come directly from the president or the provost. Further, these needs usually will be perceived in more concrete and dramatic terms than academic needs will be. Cuts in legal staff, accounts receivables, and affirmative action personnel may be seen to have more serious and immediate adverse affects than academic cuts that require faculty to teach more or that increase class size. By contrast, the resource requests of academic deans are characterized by none of these conditions. Although the deans report directly to the provost, the deans are not quite "members of the same club." There is more organizational distance, both physical and psychological. The deans are more subordinates to than they are colleagues of the provost. Perhaps more importantly, the increased demands that have been placed on the deans will be less likely to be known personally and directly to the provost than those placed on the vice presidents; most pressures will have originated at subordinate levels, for example, instructional needs of teaching departments. Further, given the current media and legislative attention being given to faculty teaching loads, the provost and president may be less likely to view resource requests from teaching units as legitimate. As Riggs [45] has argued, administrators are "detach[ed]" from production activities and they demonstrate a tendency to attach first priority to their own needs; and as Niskanen [37] has observed, administrators "conveniently perceive" their own priorities as coinciding with the priorities of their constituencies.

Proposition 9: The greater the organizational distance between the unit and the budgetary decision maker, the smaller will be the proportional increase in the resource allocation to that unit.

In short, it is postulated that budgetary decision makers first take care of their own needs and the needs of those they know well. The closer a unit is in organizational distance to the budgetary decision maker, the larger will be the increase in budgetary allocation, for the decision maker will be more personally aware of the unit's needs and more likely to hold that those needs are valid. A corollary is that as one moves down through the organizational structure, the smaller will be the discretionary (in accounting parlance, nondesignated and unrestricted) funds allocated to the unit.[11] If proposition 9 is accurate, then we would expect to find that the largest increases in administrative costs will be in central administrative units, with such costs decreasing as one proceeds down through the administrative system to the academic units. Moreover, the growth in administrative costs across academic units of the same administrative level will be relatively equal; that is, differences among units at the same level will be less than differences among units at different organizational levels.[12] Finally, the differences in the ways in which administrators regard budget requests will be explained primarily by organizational distance. The hypothesized relationships, however, may be temporized by specific events, such as periodic legislative criticisms of and mandates to curb administrative costs.

Accounts of Managerial Actions: Internal Administrative Stratification and External Structures of Power.

If the explanatory focus of the concept of organizational distance is on internal stratification by vertical layers in the organizational structure, how are we to explain differential allocations to administrative units at the same relative organizational level? Some of the previous propositions provide some possible answers. For example, proposition 1 would point to a unit's perceived potential for generating alternative revenues. Proposition 2 would point to the extent to which particular administrative areas were affected by state and federal regulations. Proposition 8 would point to the unit's level of professionalization. If we were dealing with academic units, functionalist explanations of internal stratification would point to the unit's merit or productivity. Unfortunately, we lack the data and indices for measuring such variables in administration.[13]

We believe that a significant part of the answer lies in the connection of administrative units to external structures of power and privilege. One explanation is that internal stratification among administrative units is a function of the unit's perceived closeness to particular markets. We draw here on a sociology of the professions that speaks to the question of who is being served to explain professional power and stratification [30, 47]. In the past decade in particular, colleges and universities have sought to position themselves close to the high-technology marketplace, in the knowledge and technologies they generate and teach, and in the services they provide. Let us consider just one example. Such positioning has involved lobbying to change state statutes regarding technology transfer [48]: targeting fields with greater potential for increased revenue and setting up offices to facilitate technology transfer to and interaction with private enterprise. We believe that administrative units at the central and at the academic unit levels benefit disproportionately from being perceived as being connected to the high-technology marketplace in particular and to the corporate marketplace in general.

Proposition 10: Increases in administrative costs will be proportionate to the unit's perceived closeness to the high technology and corporate marketplaces.

Of course, one could modify this proposition to emphasize unit connections to other types of markets that are being emphasized by the campus administration. Proposition 10 could be either complementary or contradictory to proposition 9. Its principal explanatory power may be in explaining horizontal differentiation, with such variations coexisting with larger variations among vertical levels in the institution; on the other hand, differences in administrative cost increases may be explained less by the level of the unit than by its perceived closeness to the high-technology and corporate marketplaces. Another test of proposition 10 lies in the ways administrators regard budget requests and justify allocations: Are their views and rationales grounded more in perceptions of the unit's relationship to the market or in their organizational distance from the unit? What do choices made in strategic planning decisions suggest? Who is cut and who is protected?

A second explanation that addresses the relationship between internal administrative stratification and external structures of power is that the former is a function of the ethnicity, gender, and social-class background of the work force and of its clientele. Sociological studies of wage structures now routinely factor in gender and ethnicity and have found that these impact faculty and administrative salaries [12, 40]. Moreover, sociological work on professions points to the importance of client characteristics in stratification among and within professions [14, 28].

Proposition 11: The ascribed characteristics of administrators and their clients (ethnicity, gender, and social-class background) will have an effect on increases in administrative costs among central administrative units and among academic units.

Data on the ascribed characteristics of the work force are available for gender and ethnicity but not for social-class background. It would be possible in matched comparisons of administrative units (for example, general student affairs offices versus offices of minority student affairs) to obtain data on their clients' gender, ethnicity, and for some proxy measures, of social class.

The proposition does not identify the direction of the effect of ethnicity, gender, and social class background. Findings about salaries would suggest a negative effect. Arguments about the costs of compliance with regulations related to women and minorities and about the emphasis on affirmative action and diversity, would suggest a positive effect. In either case proposition 11 does not hold that these characteristics are the principal basis of resource allocation; proposition 11 can be viewed as being complementary to many of the previous propositions.

In posing these last two hypotheses we move away from a disembodied view that treats administrators and their clients generically, or purely in terms of their work-place characteristics (for example, by their function). Instead, we point to the importance of considering the ascribed characteristics of administrators and of the groups and interests they serve.

What Can Be Done about Administrative Costs?

The answer to this question depends on where administrative costs are increasing and why. The question has yet to be explored empirically in any broad way. In our view, asking focused questions marks a critical step, not only in advancing our understanding of administrative cost increases, but in spurring more effective management of those costs. To this end, we have offered eleven propositions that we hope will help move studies of administrative costs beyond a "norming" approach by which costs are compared among peer institutions. This is a critical contribution because the norming approach merely draws attention to atypically large changes in administrative costs; it ignores the *structural* causes of increases within the entire system or systems.

Developing a fuller understanding of the causes of increased administrative expenditures would substantially strengthen the public image of higher education institutions and the claims these institutions make on public resources. Increasingly, higher education is losing out relative to other state and federal priorities; its share of governmental resources is declining. The most serious allegations have to do with its reduced attention to undergraduate education, its increasing costs particularly as reflected in tuition prices; and its inefficiency in the use of public resources. The disproportionate increase of administrative expenditures relative to instructional ones is directly implicated in these criticisms.

Cost-increase explanations that are grounded in data might better enable presidents and boards to challenge these recurrent criticisms effectively, as well as the perception of institutions as "fat," despite years of cost containment efforts. Such explanations might also constitute a first step toward containing administrative cost increases.

We would expect to find multifactor explanations of administrative cost increases. Moreover, there is no reason to believe that the increases will be the same by institution and by system of higher education. Many of the propositions above can be seen as complementary; each may contribute to the explanations. We cannot hope to provide *the* answer to the disproportionate rise of administrative costs. No matter what the explanations are for the cost increases, there is still the need to determine and to change *how* choices are made, that is, to specify the *mechanisms* by which budgetary choices are made and administrative costs are increased and to introduce measures that will mitigate against the unchecked operation of these mechanisms. We would argue that this requires a focus on the budgetary authority structure. Pointing to external regulations as a cause for higher costs does nothing to explain how budgetary choices are made: how new offices are created, staff are added, and/or salaries and nonpersonnel expenditures are increased. Similarly, pointing to changes in internal processes, such as the growth of consensus management or the takeover of functions formerly performed by faculty, does little to detract from the fact that it is administrators who possess the formal authority to make decisions about how any marginal revenues will be spent. This power of the purse perhaps is illustrated best by contrasting administrative and faculty authority.

Administrators may be constrained by faculty viewpoints in increasing administrative expenditures, but there is little question as to who wields final authority. For example, particularly in times of fiscal stress, provosts and deans can effectively sweep vacant faculty lines and freeze faculty hiring, often with little consultation with faculty. They can award administrative salary increases, add new administrative positions, and increase administrative operating budgets. The importance of this budgetary authority is evidenced not just by the disproportionate increases of administrative costs but by the fact that the productivity of administrators and the retrenchment of executive, administrative, and managerial employees are not nearly as prominent on current budget cutting agendas as are faculty productivity and retrenchment. Indeed, the former are often not found at all.

It will not be surprising that as faculty members we now suggest that part of the solution to the problem of disproportionate administrative cost increases is increased sharing of budgetary authority with faculty. Nevertheless, this is an important point, for as financial pressures mount in higher education, authority becomes more centralized in an effort to improve accountability. The chain of command lengthens. There appears to be a clear tendency for governing boards to favor ever stronger financial control by higher administrators [43]. We would argue that such centralization is a major part of the reallocation of resources away from instruction to administration. In trying to deal effectively with difficult financial times, institutions are moving in a direction that gives more discretion to administrators, with little promise of containing, let alone reversing, the trend of the last twenty years to shift resources from instruction to administration.

In closing, however, we want to emphasize that sharing budgetary authority with faculty is insufficient to the task of reversing the reallocation patterns in higher education. There are already many mechanisms and processes of "shared authority" between faculty and administrators that have not proven particularly effective. Part of the problem lies in faculty having merely an advisory role in such processes. More than that, faculty have their own expense preferences, and we have little reason to believe that given the authority, faculty will significantly increase the proportion of resources allocated to instruction. Therefore, we might consider somehow giving a more prominent role in budgetary matters to those who have the most direct interest in instruction, students.

Our suggestion should not be considered as support for the current fashion of "total quality management" or of "quality management" [17]. In the application of these management tools in higher education it is far from clear either that students, as opposed to businesses, are the major customers of higher education, or that student input comes in any other form than customer needs surveys. Our suggestion is that we need broader oversight of allocation decisions and broader involvement in making those decisions, not just in advising those who make the decisions. If such oversight and budgetary authority is to be meaningful, sophisticated, and effective, then it must include an understanding of the sources and causes of mounting administrative costs.

Notes

[1]Due to inconsistencies in reporting, EEOC data often are considered suspect by institutions.

[2]The disaggregation found in these data is a step in the right direction, but the categories still amalgamate quite different positions. For example, "other professionals" includes librarians, accountants, counselors, athletic coaches, and lawyers, among others.

[3]The question of who is an administrator and who is a "production worker" probably is moot. The policy question of interest to resource providers (for example, legislators) concerns how much is being spent on instruction and how the instructional share is changing. The growing share committed to "support" is largely what is at issue.

[4]The qualification is important, as we shall see later. Many sociologists, including some sociologists of higher education, work out of variations of professionalization theory that emphasize the self-interested and political nature of professional activities [14, 30, 42]."

[5]In much of the post-World War II era, externally funded research could be seen as contributing both to prestige and revenues.

[6]One recent study [13] suggests that there are economies of scope for instruction and research, that producing them together is cheaper than producing them separately. However, as Brinkman [7, p. 123] notes, "Very little research has been done on the question of whether the multiproduct nature of higher education leads to production economies," and "there is much that we do not understand, mostly because we cannot arrive at definitive interpretations of available data [13, 16].

[7]There may be other dimensions of complexity that do not follow the standard institutional hierarchy in higher education, dimensions along which community colleges are more complex than research universities. With a different operationalization of complexity, the findings about the relationship between complexity and administrative cost might be different.

[8]This is a suggestion made by Arthur Hauptman.

[9]This proposition need not explain the disproportionate increase in administrative costs. Administrators may create their own demand, but so do academics, through the "academic ratchet" [39]. It may be that the rate of growth generated by the administrative lattice is greater than that generated by the ratchet, but there is no explanation of why this should be so.

[10]One of our students is seeking to test the Pondy/Williamson dichotomy of discretionary versus determined administrative expenditures [6]. Part of his research has involved comparing the opinions of administrators who have made expenditure decisions with those of other administrators or others situated a level below the decision maker. Nearly every decision was viewed as determined by the decision maker, whereas subordinates saw most decisions as discretionary, identifying valid alternative expenditure needs that they considered more important.

[11]Departmental "operations" budgets contain most of an academic unit's discretionary funds and thus serve as a good indicator as to how the resource allocation system has functioned. A good test of the corollary to Proposition 9 would be to track operations budgets over time to determine to what extent these allocations have increased over the past two decades.

[12]Such a pattern could be consistent with most of the previous propositions. For example, proposition 1 would suggest that development offices would realize increased budgetary shares. Such increases could be realized at both the central level and in the various academic colleges, which might add development officers. However, the differences among administrative costs across the academic colleges might still be less than the differences between administrative costs at the central and the collegiate levels.

[13]In a recent study, Pfeffer and Davis-Blake [37] seek to examine the wage structures of different administrators according to their functional importance.

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