

July 21, 2008

CHAIR LINDA BISSON

Davis Division of the Academic Senate

RE: Administrative Growth at UC Davis

Dear Linda:

I am writing to convey my perspective about the Davis Division Academic Senate Task Force report on "Administrative Growth at UC Davis". I want to thank you and the members of the Senate Task Force for the recommendations aimed at improving the cost effectiveness of essential administrative services at UC Davis. These issues are clearly important, particularly as we face daunting challenges from tighter state budgets for higher education – exacerbated by the current state budget crisis – and rapid inflationary increases in the cost of commodities essential to campus operations. These challenges demand that we intensify our efforts to move beyond business as usual and consider priority-based, joint strategic decisions about how UC Davis will continue to support its core missions of instruction, research, and public service. As we have said numerous times in the past six months, we need to ask, in some systematic way, not only how we can work smarter, but what lower priority activities can be discontinued.

Although there are several things that we are already doing to meet the challenges, there is considerably more to be done. Later in this letter, I outline some specific steps related to the Senate Task Force recommendations. Before that, however, I would like to provide an additional perspective on several of the issues raised in the "Findings" portion of the Senate's report. The intent of my comments is to provide a common factual framework on these issues.

Toward a Common Factual Framework

At the June 6, 2008, Davis Division Representative Assembly Meeting, I distributed a document that summarized information clarifying some of the data presented in the Senate Task Force report. Below I draw on some of this information related to the following four issues.

- Have resources directed to administration really grown faster than those to instruction?
- What has driven the increase in the number of MSP positions?
- Is the cost of research infrastructure at UC Davis – and the cost of doing business generally – unacceptably high?
- Has faculty/student interaction been compromised by the addition of staff in Student Affairs?

Has administration grown faster than instruction? The Senate Task Force report concludes that administrative budgets at UC Davis grew more rapidly than instructional budgets over the past ten years. This conclusion is based on a comparison between the growth in the number of staff positions in the Management and Senior Professional (MSP) category (88 percent) and the growth in the number of academic positions (29 percent). However, a more comprehensive look at payroll and expenditure data leads to a different conclusion. That is, the rate of growth of the sum of all three staff titles (MSP + PSS + SMG) averaged 29 percent over the last ten years – exactly the same rate of growth as in academic titles. Moreover, for the same time period, financial schedule data provided by the Office of Resource Management and Planning (ORMP) indicate that

expenditures for instruction increased by 68 percent, those for academic support (including deans offices) increased by 54 percent, and institutional support increased by 35 percent. These data also show that instructional expenses increased from 46.2 to 50.7 percent of total expenditures, while institutional support expenses increased from 9.3 to 10 percent of total expenditures and student services expenditures increased from 5.5 to 7 percent of total expenditures. Finally, additional analysis of the personnel data provided by ORMP indicates that the average MSP salary rate (i.e., per FTE) increased by 21 percent, while the average salary rates in the Academic, PSS, and SMG categories saw increases in the range of 54 to 56 percent.

MSP positions – what drove the increase in numbers? The Senate Task Force report acknowledges that much of the increase in MSP positions is the result of reclassification of PSS positions. However, it expresses a concern that reclassification of a position into the MSP category requires the addition of a managerial component to the position, and that this is sometimes done by artifice that involves unnecessary creation of new layers of administration. In fact, managerial/supervisory responsibility is not a prerequisite for the reclassification of a position into the MSP category. Senior Professionals classified as MSP are not typically managers or supervisors – examples include IT project managers or principal development engineers, Development Officers, Physicians, and Senior Veterinarians. The campus does not support the creation of new positions or more work for others simply to justify a reclassification; and I would appreciate knowing of any specific situation in which the members of the Senate Task Force believe that this might have occurred.

Is the cost of research infrastructure at UC Davis – and the cost of doing business generally – unacceptably high? The report suggests that if the indirect costs received by the campus do not cover the campus cost of research infrastructure, then the campus cost of research infrastructure – or of doing business in general – is aberrantly high. As indicated in the discussion of indirect cost recovery below, the average indirect cost recovery that the campus receives is indeed less than the actual cost of research infrastructure. This fact alone, however, does not necessarily support a conclusion that the campus cost of doing business is inappropriately high.

As you know, every four years or so, the campus makes a thorough study of the actual campuswide cost of research infrastructure to support its negotiation of indirect (overhead) cost rates (Facilities and Administration Rates) for research projects sponsored by the National Science Foundation and the National Institutes of Health. In the past decade, these studies have shown that the actual cost of research infrastructure (utilities, facilities, departmental administration, and central administration) has held steady at a little more than 60 cents for every dollar spent directly on research. The overhead rate that the NIH Division of Cost Accountability is willing to provide the campus for NIH and NSF contracts and grants, while increasing gradually over the past two decades to 52 cents per dollar of modified direct costs (i.e., exclusive of equipment or student fees), has never been equal to the actual cost of research overhead as calculated by the campus. This is also true at the other campuses in the UC system and at research universities generally. Moreover, lower overhead rates are paid by other funding sources such as the US Department of Agriculture (20 percent of total direct costs, which averages ~25 percent of modified direct costs), the State of California (0-22 percent of direct costs, depending on the agency), and philanthropic grants or individual gifts that are used for research (0-10 percent of direct costs). These rates are not related to the campus's actual cost. They are simply what the sponsoring agency/funder can afford or is willing to provide. In addition, the Office of the President pulls off some indirect cost recoveries to fund systemwide priorities, and rate exceptions are sought and awarded to PIs pursuant to University policies. At the end of this trail, the campus receives an amount significantly less than the current 52 percent rate – e.g., in 2006-07, our indirect cost allocation from the Office of the President was \$61.5 million for a generated \$384.3 million in direct costs (i.e., a 16 percent return).

Notwithstanding the above, I agree that the campus should seek every reasonable opportunity to control its cost of business and reduce it wherever it can without posing an unacceptable risk to essential operations. I do note, however, that our institutional support expenditures at about 10 percent of total expenditures are in the middle of the systemwide range of 8 percent (UC Santa Barbara and UC Irvine) to 12 percent (UC Riverside and UC Santa Cruz). We share that "middle position" with UC Berkeley, UCLA, and UC San Diego.

Has faculty/student interaction been compromised by the addition of academic positions in Student Affairs? The Task Force report notes the 230 percent increase in academic positions in the Office of Student Affairs (i.e., from 27 to 90 FTE) and indicates that Task Force members were told that this increase arises from a deficit of faculty time being devoted to student interaction, which in turn results from the increasing burden of administrative tasks faced by members of the faculty. Because of the nature of these additional academic positions, I think it unlikely that they are related to a deficit of faculty time. That is, a detailed review of the data reveals that the academic positions in Student Affairs are primarily student assistant titles such as readers and tutors (increased from 27 FTE to 68 FTE). These titles are used in two primary areas: (1) the Financial Aid Office where various work study appointments for students across campus are paid; and (2) the Learning Skills Center where tutor titles were changed from staff positions to academic titles as a result of collective bargaining, not by any substantive change in the tutors' responsibilities. The remaining 22 of the 90 FTE are physical education appointments. In 1998, such appointments were reported as part of the Division of Social Sciences rather than Student Affairs, as is currently the case. Thus, the increase from 27 to 90 FTE does not reflect significantly more non-student appointees.

Toward a More Strategic Budget Process for 2009-10

The Senate Task Force report makes 11 recommendations concerning campus administration. All of these recommendations deserve serious consideration. The campus is already addressing some of them, and I intend to take action soon to address others, as indicated below. As the Senate Task Force report noted, some are more difficult to address than others and will require action on a statewide front in partnership with other University of California campuses, the Office of the President, and local and statewide elected officials.

Recommendation 1: Review/Reform of Expenditure Practices. I am in complete agreement that the campus should be engaged in risk-based reviews of campus policies and practices with an eye to eliminating what is not useful, modifying what is inefficient, and improving what is deficient. I also believe that those who are "in the trenches" using the policies are the best informed regarding inefficiencies and deficiencies. It was with this in mind that I invited all campus employees to post their suggestions for increasing the efficiency of our policies/practices on the "Budget Planning" Smart Site. I have charged the Senior Advisors to evaluate these suggestions and recommend specific changes in campus policy or practice that would (1) achieve the greatest reduction of administrative costs or workload, (2) have the best chance of being fully implemented over a period of 18-24 months, and (3) have the least chance of putting the campus at significantly increased risk. In conducting this evaluation, the Senior Advisors will consult with campus constituency groups that have characteristically spoken from the trenches to staff workload issues (including, for example, AdMan and the Staff Assembly). I have asked Assistant Executive Vice Chancellor Loessberg-Zahl to facilitate this review. I believe that this approach is more practical than hiring outside consultants to review every UC Davis policy and procedure.

Recommendation 1: Review of the Campus Budgetary Process. The campus operating budget process was last reviewed in the late 1990s, and the process was updated in 2000. The decision at that time was to preserve a largely incremental approach to budgeting. The Office of

Resource Management and Planning, however, agrees that a review of this policy would be timely. Indeed, this has been the basis of recent budget conversations with department chairs as we look toward 2009-10. Closely related matters are the update of the academic plan and consideration of a new long-term enrollment plan. Work on both processes started this year, and both processes will provide important input to a strategic review of campus resource deployment commencing with the 2009-10 budget process.

Recommendation 2: Financial Accountability of Administrative Units. I intend to charge the Senior Advisors, in consultation with ORMP to reconsider our current Administrative Unit Review Process (PPM 200-30) and determine what metrics can be employed to ensure greater transparency in cost accounting for administrative services. Moreover, it will be a high priority to address the desire of department chairs for systematic opportunities to share best practices and receive practical administrative training.

Recommendations 1, 3 and 5: Relative Efficiency of Decentralized and Centralized Administrative Functions/Duplication of Administrative Workload. I agree that there is merit to reviewing the appropriateness of centralized vs. decentralized service models with specific reference to some of the processes mentioned in the Senate Task Force report. These include reimbursement of travel expenses, payroll, human resources, and development. As noted by the Senate Task Force, although centralization is often more efficient, centralized systems or processes can be perceived as inflexible or controlling. The fact that the UC Davis Health System has a significantly more centralized business service model than does the general campus may, as the Task Force suggests, provide examples for the general campus to consider. The Council of Vice Chancellors will discuss this matter and consult further with the Academic Senate about possible specific processes that might be reviewed and revised.

Recommendation 4: More Astute Management of Compliance Functions. Rather than review all existing compliance policies, I will ask Assistant Executive Vice Chancellor Loessberg-Zahl, Associate Vice Chancellor Allred, Internal Audit Services Director Catalano and others as appropriate to meet with the Senate Task Force and AdMan to gather information about and review the highest priority specific instances in which faculty or staff perceive UC Davis interpretation and implementation of policy to be out of line with practices at other campuses. Facts gathered from these meetings will inform the process/practice review described above under the Recommendation 1 heading.

Recommendation 6: Address the High Cost of Doing Business on Campus. Vice Chancellor Meyer has recently assumed responsibility for the campus units charged with planning and executing building remodels and maintenance. He will meet with the Senate Task Force to hear its specific suggestions for improvement and will develop a plan for addressing faculty concerns.

Recommendation 7: Review of Human Resources. Interim Associate Vice Chancellor Hull will consult with the Senate Task Force about the perspectives expressed in this recommendation. One of the things she will discuss is the Career Compass initiative, which should help address some of the perceptions in this area. The initiative includes the standardization of position descriptions, an enhanced performance management system, and identification of career paths that will link training and the development of skills with advancement opportunities on the campus. This program will create greater transparency in the campus classification and compensation program.

There is one misconception among the views expressed in this recommendation that bears mention. "Worth, meaning salary, is still largely dictated, not by the innate challenges of the position or the skills required, but by the number of people that report to the individual or the high ranking administrator to whom the position reports". In fact, although the number of individuals

reporting to a position is a consideration in classification, it is certainly not the single driver. Campus salaries are based on market comparisons, and the campus goal is to pay salaries that are ± 10 percent of market. In many areas, the campus achieves this goal. Consideration of total compensation (salary and benefits) is important. A recent Mercer study suggested that the University's benefit and retirement programs were considerably better than market.

Recommendation 8. Review of Information and Educational Technology (IET). IET is due for a five-year review, and that will be undertaken as soon as practically possible. Many of the technology concerns expressed by the Senate Task Force report are quite general, and Vice Provost Siegel welcomes the opportunity for further communication with the Senate Task Force to understand and respond to the specific issues that lie behind them. This consultation will be an important part of his effort to define the major topics or issues to be addressed in the coming five-year review.

IET notes that many of the technology issues raised in the Task Force report concern general issues of campus information technology (as opposed to the campus IET unit), such as silo-like budgeting practices, departmental computing activities, and administrative information systems that are not managed by IET. An important step already being taken to address these issues is establishment of the IT Roadmap. Recently, vice chancellors and vice provosts approved a plan to create a coordinated governance process – the IT Roadmap – for administrative information services that span the campus, based on several domains that include student services, research services, HR, finance, and others. Key mandates of this process include:

- the impact of change on users and their units should be a key factor in consideration of information technology investments;
- wherever possible, common administrative technologies should be used in campus administrative systems to improve the efficiency and interoperability of these systems;
- the full cost of new services or systems, including the recurring operating costs, should be understood and allocation methodologies determined before services or systems are developed and deployed.

This approach is intended to ensure that central units are as responsive as possible to the needs of those who use the services or systems they provide, and that college and departmental staff can focus on developing specialized services that are enabled by the central systems rather than substituting for the central systems. Much work remains to be done to make these goals reality, but the process has begun.

IET provided its perspective on several information technology issues mentioned in the Task Force Report. Two of them are included below.

- **High costs – phones.** IET has regularly explored options for outsourcing telecommunications services, but to date has not found a more economical model for business phones. It is worth noting that UC Berkeley, which has historically made heavy use of commercial service providers, is currently moving toward an internally owned and operated service to achieve better services at a reduced cost. It is also worth noting that the telecommunications system at UC Davis includes the campus data network, and that the data network is heavily subsidized by the campus (most users are charged \$4.50/month for data services that cost \$25/month to deliver).
- **Engineering faculty not consulted by IET on information technology projects.** IET takes strong exception to this statement, noting that a recent review of its email systems was led by the dean of the College of Engineering and involved a number of Engineering

faculty whose expertise was indispensable to the review. The wireless policy and prioritization group established by the Campus Council for Information Technology (CCFIT) was led by Computer Science faculty; a faculty member in Engineering chairs the CCFIT; IET regularly consults on information technology security issues with Engineering faculty who have world-class expertise in this area; and Computer Science faculty members are key participants in the campus security forum, sharing their latest security research and recommendations with technologists at UC Davis and systemwide.

Recommendation 9: Restructuring the Office of Research. A five-year review of the Office of Research will commence shortly. In the context of that review, Vice Chancellor Klein will work with the Senate Committee on Research, to – among other things – consider the organization of Sponsored Programs.

Recommendations 10 and 11: Unfunded Mandates and a New Business Model for Higher Education in California. There is no question that unfunded mandates are an increasing burden on the campus at all levels. For the most part, these mandates reflect requirements emanating from Federal and/or State government, from University-wide negotiations, or from other external agencies. Although the University should continue its efforts to educate public officials on this point, it is unlikely that they will be eliminated anytime soon (if ever).

It is equally certain that a strategy is needed for maintaining the excellence of higher education in California in the face of ever-tightening public funding. We must avoid limiting access by default, and I believe that this requires us to consider ways to generate additional funding from sources other than the State or student fees.

Let me conclude by again thanking you and the Senate Task Force for your recommendations. As I indicated above, although we may have different perceptions about some of these issues, I believe that we are in agreement about the need to consider how to improve the way in which “we do business”, keeping in mind the principles on which the University of California is based. I look forward to continuing to work with the Senate on these issues.

Sincerely,



Barbara A. Horwitz
Interim Provost and Executive Vice Chancellor

/mbm

c: Chancellor Vanderhoef
Provost-Designate Lavernia
Vice Chancellor Meyer
Associate Vice Chancellor Ratliff
Chair-Elect Powell
Executive Director Anderson