ACADEMIC
SENATE
BERKELEY
320 STEPHENS HALL
UNIVERSITY OF CALIFORNIA

May 12, 2016

CHANCELLOR NICHOLAS B. DIRKS
INTERIM EXECUTIVE VICE CHANCELLOR AND PROVOST CAROL CHRIST

Subject: Committee on Academic Planning and Resource Allocation recommendations on campus budget priorities for 2016-17

I am forwarding for your consideration the budget recommendations formulated by the Committee on Academic Planning and Resource Allocation (CAPRA) based on its discussions with key campus administrators and faculty experts. The Divisional Council (DIVCO) has reviewed and endorsed CAPRA's recommendations.

DIVCO underscored its ongoing concern about the campus's dire financial situation, and the lack of, meaningful engagement with the Senate on critical issues. While there has been substantial engagement with the senate on initiatives related to "academic realignment," there has been no corresponding engagement on "administrative" initiatives which also affect faculty in important ways. While we appreciate *recent* efforts to constructively involve the Senate on the latter, we find ourselves frustrated with the long-delayed consultative process. We view this as a failure of shared governance on our campus at a critical time.

The discussion in DIVCO also highlighted our concern about a number of specific issues presented in the CAPRA report.

Intercollegiate athletics
The Department of Intercollegiate Athletics' (DIA) growing deficit is a source of consternation and frustration. DIVCO noted that in its 2010 recommendations to campus administration, the Senate Task Force on Intercollegiate Athletics called for a "glide path" to ultimately end the campus subsidy to DIA. Instead, its deficit has grown, and it has asked for an even larger campus subsidy. DIVCO expects that DIA will be held to the same standard as other campus units. It is unsupportable in our current budgetary situation to increase the subsidy to DIA, even as we cut academic and administrative budgets.

Capital projects
While DIVCO is pleased about improvements in planning capital projects, as noted in the CAPRA report, we are concerned that campus administration is considering taking

on additional debt to bring projects to fruition. We underscore the CAPRA report: "If additional loans are to be secured, clear and compelling mechanisms must be in place to cover the additional debt without placing a burden upon the central campus' general budget either explicitly or implicitly."

Residential and Student Support Programs (RSSP) restructuring

DIVCO discussed the apparent impasse with respect to the transfer of RSSP's real estate operations to the portfolio of the Vice Chancellor for Real Estate. We are dismayed to learn that this recommendation has yet to be implemented, and that the campus is forgoing an estimated $15 million in savings annually as a result. DIVCO calls on campus administration to address this situation immediately.

In sum, DIVCO stands ready to fulfill the Senate's role in shared governance of the campus, and engage in robust, meaningful consultation and collaboration on these important issues. At the same time, we expect leadership from campus administration to address and resolve the many issues of concern identified in the CAPRA report—particularly those, like the DIA deficit and the RSSP restructuring, that have lingered for years.

We would appreciate receiving a written response from you concerning the final choices made with respect to these recommendations no later than September 23, 2016.

Sincerely,

Robert Powell
Chair, Berkeley Division of the Academic Senate
Professor of Political Science

Encl.

Cc: Sanjay Govindjee, Chair, Committee on Academic Planning and Resource Allocation
Diane Sprouse, Senate Analyst, Committee on Academic Planning and Resource Allocation

May 6, 2016

TO: ROBERT POWELL, CHAIR
BERKELEY DIVISION OF THE ACADEMIC SENATE

RE: CAPRA 2016-17 BUDGET & POLICY RECOMMENDATIONS

The Committee on Academic Planning and Resource Allocation (CAPRA) offers the following recommendations for campus budget and policy priorities for the coming fiscal year. Our recommendations focus on financial issues that have been identified through our discussions with campus administrators, as well as continuing priorities that we believe are critical to the future financial health of the UC Berkeley campus and to maintaining UC Berkeley's standards of excellence.

CAPRA has had discussions with the following administrators and faculty experts leading to this year's recommendations: VP Andrew Szeri, Strategic Academic and Facilities Planning (and a by-invitation member of CAPRA); (former) VC-Administration and Finance John Wilton, AVC-Finance and CFO Rosemarie Rae, AVC-Financial Planning & Analysis Laurent Heller, Interim VC-Administration and Finance Scott Biddy; EVCP Claude Steele; AVC-Arts & Design Shannon Jackson; AVC-Director Financial Aid and Scholarships Rachelle Feldman; COO-CSS Peggy Huston; IA Director Mike Williams, CFO David Secor, and Assoc. Athletics Director Jenny Simon O'Neill; VC-University Development and Alumni Relations Julie Hooper and AVC-Advancement Irene Kim; VC-Real Estate Bob Lalanne; Executive Director University Business Partnerships & Services Solly Fulp, Director of Project Affairs Amy Gardner; AVC and Dean of Students Joseph Greenwell, ASUC Director of Administration Jesse Grimes, ASUC Operations Director Suzanne Halpin; Professor Jill Berrick, Chair, Committee on Undergraduate Scholarships and Financial Aid (CUSHFA).

The committee asks that DIVCO endorse these recommendations and forward them, along with DIVCO's endorsement, to Chancellor Dirks and Interim Executive Vice Chancellor and Provost Christ. We further request that Chancellor Dirks and Interim EVCP Christ provide a written response to the Senate no later than September 23, 2016, detailing the extent to which our recommendations will be adopted.

Preamble

One of CAPRA's most important duties is to *confer with and advise the Chancellor on policy regarding academic and physical planning, budget, and resource allocation.* During the current academic year CAPRA has been very concerned about the financial health of the University and the trajectory upon which it finds itself. **CAPRA finds that the single greatest threat facing the campus is a financial one, viz. our $150M and growing structural deficit**. The committee is gravely concerned that few, if any, concrete proactive steps have been taken to make positive changes to the University's financial trajectory. Further, issues identified in CAPRA's Budget and Policy Recommendations for 2015-16 remain incompletely implemented, despite the beneficial impact they are projected to have upon our financial standing. Worse, some steps have been taken that will result in long-term financial harm to the campus. We fully recognize the complexity of the situation, as well as the hard work of many dedicated administrative professionals, but CAPRA remains mystified as to the *senior* administration's long delay in conferring with CAPRA on these matters. The first consultations on new initiatives to address the financial problem did not reach our agenda until mid-April, 2 weeks! before the end of classes -- a delay that is incomprehensible, inexcusable, frustrating, and woefully short of what is needed, a true failure of shared governance. CAPRA believes that the effectiveness of shared governance hinges closely upon the transparent sharing of data. It is one of the foundational elements of Berkeley and why Berkeley is considered to be the finest public university in the world. Shared governance is a wise policy but its implementation demands transparency. In particular, CAPRA does not, for example, feel that the inclusion of its Chair in the "cone of silence" is at all helpful or respectful of the true notion of shared governance. Secrecy only hides issues and hinders truly thoughtful progress. For the University to advance, there needs to be free and open sharing of data with the Senate in order to facilitate a vigorous debate.

CAPRA offers the following concrete recommendations based upon the limited information currently available to it.

Recommendations and Requests

General Points

1. **Campus Budget Model.** For CAPRA to be able to provide the Chancellor with the best possible advice, the campus budget model needs to be shared with CAPRA. This is a standing request, which has been agreed to by the EVCP and the Chancellor but for which, to date, there has been no follow-through.

2. **Mergers and Closures.** The financial pressure on the institution is very high. This necessitates that some units (academic and non-academic) will shrink, or will be out-right cut. All proposed changes, academic or non-academic, should be driven by sound analysis and a clear understanding of what will be lost and what may be gained, financially as well as intellectually. CAPRA and other relevant Senate committees must be given appropriate information so that the Senate can knowledgeably provide sound advice to the administration. To lead the campus through such changes the *senior*

administration must be transparent with respect to all the facts and the calculus that has gone into decision making -- not just with respect to the process. Overall agreement will never be possible but support of the majority of the faculty is achievable, if reasoned and honest arguments are presented.

Incomplete Items

3. **RSSP Reorganization**. In Section 4 of CAPRA's Budget and Policy Recommendations for 2015-16, we recommended a re-balancing of the RSSP portfolio based upon the Deloitte study. Without repeating the recommendations in detail, we note that the transference of RSSP's real estate operations to the VC-Real Estate has stalled despite a decision to do so and an agreement to do so, undersigned by the EVCP and the VCs for Administration and Finance, Student Affairs, and Real Estate. The estimated savings stand at approximately $15M per annum. CAPRA is very concerned that we are leaving money on the table and potentially creating harm with respect to future fundraising by not providing our students with the best possible housing experience.

New and Continuing Items

4. **Budget Letter.** The current budget letter is perhaps the most consequential budget action that the campus has taken this year to address our financial situation. CAPRA is pleased to see some consideration was taken to not impose strictly across the board cuts. However, CAPRA wishes to express its concern that the Senate was not consulted in the development of the principles behind the distribution of the cuts. At a minimum, the principles behind such actions should be discussed with the Chair of the Academic Senate, who can refer such matters to relevant Senate committees, should it be warranted.

5. **Lower Sproul Project.** CAPRA continues to be acutely concerned about the Lower Sproul Project. The committee warned throughout the development of the project that the income projections were unrealistic and that important financial decisions were being made without the proper oversight of financial and commercial real estate professionals. It now appears the project will miss its first year revenue target by roughly $1.5M with respect to the projection shown to us last year. We understand that the projections have been revised to make the shortfall appear closer to $800K, but the relevant comparison is with the projections originally used to justify the construction. While student fees are covering the debt payments, this costly project is not going to come close to realizing the benefits for students and others on campus that the amount invested should have been able to produce. We believe the ASUC has abundantly demonstrated its inability to plan and manage a project of this magnitude. Management of this project going forward should immediately be transferred to the office of the VCRE, which we believe is the only unit with sufficient real estate and commercial experience to carry forward such a

project -- though we do have concerns that even that office may not be able to fully save the project.

6. **Capital Projects**. A number of building projects are in the planning stages on campus and CAPRA applauds the administration for the thoughtful planning that is going into these projects, e.g. the Donner Lab replacement and the Cal Performances/TDPS spaces project. We are however concerned that campus is considering borrowing up to $20M for the Donner lab building. The campus can ill-afford to add to its debt position. If additional loans are to be secured, clear and compelling mechanisms must be in place to cover the additional debt without placing a burden upon the central campus' general budget either explicitly or implicitly. One possible mechanism could be to place a lien on a unit's restricted funds for the purpose of paying off the loan. CAPRA also expresses its concern that the maintenance budget has once again been severely slashed to a level where we can not even prevent further declines in our academic facilities.

7. **Clinton Global Initiative University Costs**. CAPRA is troubled to learn that the campus has agreed to increase its labor costs by roughly $10M per year in order to host the Clinton Global Initiative University. We make no judgment on the issues surrounding the on-boarding of the particular employees. Rather, we express deep concern that such a major financial commitment in support of a single project was made without Senate consultation. This seems to us another example of the failed status of our shared governance system. The commitment of outlays of this magnitude for singular purposes should to be done in consultation with the faculty. We request such decisions be taken in consultation with the Senate after a transparent and open discussion of the pros and cons.

8. **Intercollegiate Athletics**. Intercollegiate Athletics continues to be a concern for CAPRA. While the IA Director and the IA staff have made great strides in areas of student-athlete performance, both in the classroom and in competition, the same can not be said financially. FY16 projections show a deficit of nearly $22M (up from $8.4M the prior year). The current program is realistically never going to achieve the Senate mandated "glide-path". CAPRA understands that IA will be making a request to increase its campus subsidy from $5M to $15M. Without clear and convincing evidence of the benefits of this use of $10M of campus resources in comparison to other campus needs, CAPRA can not support this additional outlay -- especially given that academic units are being asked to make large cuts. CAPRA recommends that the Chancellor once again engage the Senate via its committees or sub-committees to review IA's financial trajectory and propose detailed corrections to the present operating model as well as provide the campus with a clearly articulated basis for any continued or discontinued

subsidies. The campus is in need of a final resolution and not just another instance of kicking the can down the road -- as with each kick the deficit grows.

9. **C&G Accounting**. On several occasions when CAPRA has reviewed aspects of the campus' financial statements, it has become clear that it is important that we separate, on our balance sheets, aspects of our enterprise that are funded by contracts and grants and those which are not. C&G represents roughly $700M or 30% of our budget. The consolidated reporting of these dollars with those from the state, philanthropy, tuition, housing, etc. masks the true nature of our finances. In particular, it obfuscates the magnitude of the problem we face and it clouds our ability to see the available solutions. CAPRA recommends that the VC-A&F be directed to develop a methodology that permits the separation of C&G activities in our accounting reports.

10. **UPP & P3 Projects**. CAPRA wishes to express its support for the work being done in the University Partnership Program and the P3 efforts being undertaken by the VC-Real Estate. The leveraging of our real estate holdings and our brands and marks for the benefit of the campus and its greater community is greatly welcomed. CAPRA recommends continued investment and support of these efforts to further enhance the campus and actively help with our balance sheet. However, we caution that faculty oversight of the distribution models be better formalized. In particular, CAPRA recommends that the Chair of the Academic Senate be queried for all appointments of faculty to all cognizant oversight committees for all UPP and P3 projects. Further, we request additional transparency with respect to the cost structure of the UPP office.

11. **Berkeley Global Campus**. CAPRA continues to be concerned about the BGC initiative. The committee was briefed several times last year and outlined necessary steps in its Budget and Policy Recommendations for 2015-16 for moving forward. This academic year, the administration has provided no updates on the project and we are concerned that the project continues to move forward without appropriate faculty involvement and oversight. Again, for shared governance to work efficiently and effectively, there must be timely and transparent sharing of data; this holds independent of the source of funds for the project.

12. **Fundraising.** CAPRA is pleased with the good rate of return with respect to fundraising costs and dollars donated. CAPRA is also pleased to see that efforts are being invested in enhancing the campus' effectiveness in fundraising. Our understanding is that the current efforts are aimed at enhancing the donor experience for major donors, and at integrating the ask-operations from top to bottom. We recognize these are necessary and important improvements but feel that equal attention needs to be paid: (a) to actively engaging the

faculty in the evolving re-organization of campus fundraising; (b) to the undergraduate student experience and engagement as life-long donors; and (c) to unit-level fundraising needs, independent of campus- and dean-level priorities. Further, CAPRA is quite concerned about the proposal for a new AVC "...to serve as a senior thought partner with Deans and fundraising leads…" Attention to growing administrative costs needs to be foremost in our minds when developing any initiative. Faculty as a whole are very skeptical of newly created Vice Chancellorships, assistant, associate or otherwise, which leads to a lack of trust and buy-in -- two items that are essential for success of any initiative on campus. If a new AVC position is to be created, a clear and convincing analysis needs to be presented to justify the added costs.

In closing we would like to summarize where we understand the campus to be relative to its \$150M structural deficit. If one is to believe the limited numbers delivered to us, taking into account expected attrition of employees, UCOP's restructuring of some of our debt, and the budget call letter, then we are roughly \$70M short of our goal. Our belief in the numbers is very tenuous, given the points raised in the Preamble, in addition to the fact that debt restructuring is not an actual net savings. Notwithstanding, if the numbers as presented are true, then we are halfway there. To close the remaining gap will require the reinvigoration and active use of the wise policy of shared governance. CAPRA (and the Senate) is ready to do its part. We await the *senior* administration's action on its part.