

Student Fee Advisory Committee

January 23, 2012
Meeting Minutes

Present: Elaine Won, Johnson Liu, Jason Lee, Aaron Tso, Justin Chung, Lowell Trott, Aaron Tso, Sandy Winslow, Jack Williams, Vikram Nayudu

Absent: Clara Schultheiss, Chris Dunckle, Patrick Le, Wonsup Joshua Hwang

Guest: EVCP Michael Gottfredson

Staff: Karen Mizumoto

- 1) Meeting called to order.
- 2) Introductions
- 3) EVCP Gottfredson Visit
 - a) SFAC contributions are important to the campus. The committee's advice is taken very seriously, and the administration has not deviated from the Student Fee Fund allocation recommendations provided by the committee that I can recall. The committee can look at anything in regards to student fees.
 - b) The campus administration budgets funds incrementally/decrementally, rather than using a zero-based budgeting approach. Zero-based budgeting is a time consuming process that does not always provide the "utility" that is necessary for timely decision making. Budget pressure involves a more in-depth scrutiny of budgets, and that type of scrutiny is not generally provided by a zero-based budget.
 - c) Students on the committee can benefit by learning more about the UCI operations budget and the capital budget, the many sources and uses of funds, and the complexity of the budget, including restrictions on funds that are spent at UCI. Designated sources for those funds are complex, and money is not always fungible, or "all green." Student fees are a very restricted form of revenue and the general budget tends to be more flexible in regards to unrestricted funds such as state, some donor, and auxiliary funds.
 - d) State funds provided to the campus have been under serious stress for several years. There has been a ~\$100M loss in funding and additional unfunded cost increases.
 - e) Every fiscal year the campus works with two budgets: the current operating budget and the operations budget for the next fiscal year (i.e., 2011-12 and 2012-13).
 - i) UC has already received an automatic "trigger cut" in January of \$100M in state general funds (due to lower than projected state revenue). UC has already received a \$750M reduction in state funds. The trigger cut will be handled centrally for the

- current year, but come 2012-13, it will be permanent. UCI's share will be ~\$10M; the exact amount still under discussion.
- ii) There have been large student fee and tuition increases over the last several years; the 2012-13 tuition may not be set until May because the Regents still do not have a proposal for fees. We need to see what is happening with state budget because the governor's budget is highly contingent tax increase/cost reductions and a ballot referendum. UC is still in a very precarious position because there is another \$200M trigger contingency if state revenues do not increase in 2012-13.
 - iii) The campus has looked at various ways to add revenue streams. The campus G&A, a "tax" paid by campus auxiliaries, continues to increase year over year. The budget committee has increased the tax rate on auxiliaries for the last two years for everything except the Medical Center. The budget committee and Budget Office work with auxiliaries on how the tax affects customers, including students, faculty, staff and outside customers, and has prohibited passing assessment increases onto students for the last couple of years. There are no restrictions in upcoming year because Parking must cover all expenses, including capital costs and we can't continue to restrict their revenues without adversely affecting their debt capacity.
 - iv) A portion of the fees have been budgeted. The Student Services Fee comes with its own strings and funds specific facilities projects, debt service for certain buildings, and operations support for certain programs. No program is entitled to funding, but SSFs cannot be used for educational programs. What is an education program? Sometimes it is difficult to make a clear distinction. I would rather not have the distinction between Tuition and the SSF.
- f) Questions & Answers:
- i) *Q: What is the future UC policy to stabilize the budget climate?*
A: People are trying to not change the UC mission, but to refinance (finding new revenue streams to replace cuts in state funds) how the University is funded. UC is a first tier public research institution and competes with all AAU universities, so maintaining quality is import. Keeping open access is the other equally important priority. UCI has made a decision to protect the quality of the institution by protecting instruction and research as much as possible. The campus has had a substantial \$100M loss, but cuts to campus units have been disproportionate. I&R cuts have been round 10% and support units cuts have been about 40% over the last four years. Support Services for student life have been funded less/cut (i.e. Libraries).
 - ii) *Q: How much does it cost the university to educate a student?*
A: The state marginal cost is ~\$10K; \$14K-\$15K with capital, plus another \$25K-\$30K with fees; the costs are different by undergrad versus grads and by program. Some programs have internal responsibility center budgets; UC had resisted

responsibility center budgeting mainly due to complications with capital buildings and equipment.

iii) *Q: Why is it UC's responsibility to match state support?*

A: That's a very good question, but the simple answer is no one will do it if we don't. There is a big push on increasing philanthropy and other revenue streams. But with budget cuts as large as \$100M, endowments, which pay about 4.5%, don't generate enough to endow our way out of the loss of state budget support. It is also difficult for UCI to build a large endowment because we are a young campus and we do not have the alumni base that is old enough to create a large endowment. The campus is also trying to build revenue streams consistent with the mission and which are not harmful (such as displacing state-budgeted enrollments). This includes increasing inventions, patents, licenses and intellectual property, and increasing undergraduate nonresident enrollments. The campus is also looking at cost savings such as saving \$3.5M by not leasing some off-campus space and renegotiating current leases. The campus is trying to build a portfolio of these other activities, each generating fungible revenues that can be used for instruction. Students and families have been asked to bear the consequences of state budget cuts because higher education not always considered a public good by the general population. We need to advocate to the state to stop cutting UC and to begin restoring funds that have been cut.

iv) *Q: Are constant hikes to student fees on the table?*

A: Yes, they are on the table (nothing is off the table), but the goal is to get away from the model of spiking increases. It makes a lot of sense, and there are various ways of accomplishing this such as creating a cohort model by class. But there is some resistance right now due to impacts of the state budget and not being able to respond quickly to the changing state budget situation. It's difficult to manage campus and UC budget without knowing what the state budget will be, so the fee component of the budget is up in the air as well.

v) *Q: What role do you see SFAC playing in the accountability in regards to transparency?*

A: As much as the committee chooses to get involved. Allocating the budget is also helpful in terms of a learning exercise on to the how to budget funds and how funds are allocated; it includes reviewing proposals, interacting with departments, weighing the value of each proposal in contrast to other proposals, etc. These are all parts of the decision making process. Much of the allocation process is building on the margins and on recommendations from past student committees and the priorities of past student populations.

vi) *Q: Will there continue to be an annual lobby conference between UCI/UC students and UC to lobby Sacramento?*

A: It is important to lobby Sacramento. The tax increase/expenditure reduction plan must get on the ballot. The May Revise Budget will be a contingent budget. The governor has been focusing on the legislature and public pension reform; UC is already in front of that.

vii) *Q: The administration at the school level has taken the blame when the biggest problem is with Sacramento, is anything being done to change that perception?*

A: Student Affairs VC Thomas Parham is trying to mobilize and educate students via meetings and open forums. For long time, UCI has been on the low end of campus fee increases, but the budget situation has changed that. We are always open to suggestions from students. Not much more can be cut from support services because they have already been cut 30-40%, and there is not much flexibility with tenured faculty. We do have hiring freeze, and fewer faculty, and fewer instructors, but we hope we can avoid forced layoffs in instructional areas because we can't recover from that. We have looked at cutting operating costs, which is mostly payroll (~\$85% of the operating budget is payroll). There has also been public reputational damage to UC from state funding cuts; our competitor institutions are negatively recruiting against UC and the faculty is worried about the stability of UC. Our options are limited if the state cuts further, that is why there is pressure on fees. The state will eventually recover and incrementally restore the UC budget, but it will be a long process.

viii) *Q: Is there an effort to lobby citizens for state support of UC?*

A: UC has support from legislators, but the recession is so calamitous and the state's funding needs are compelling. UC has enormous support and we don't lack for appreciation, but the problem is that the general population thinks the cost burden should be on students and families. Our needs don't generate fear (the need for corrections) or sympathy (health and welfare) that other state-funded organizations do.

ix) *Q: In regards the SSF, what is the plan for the \$2.7M in discretionary funds?*

A: It will fund current cost increases to unfunded increases in salaries (represented employees), health benefits, increased UC retirement contributions, return-to-aid, and reserves for future unfunded cost increases, etc. The campus is also incrementally moving towards pushing budget issues out to control points. Historically, benefits have been budgeted centrally and the campus pays them as schools/units incur them. The new strategy is to budget out benefit funds to allow departments to have more flexibility in budgets and in meeting the strategic goals of schools/departments; this will be an additional cost to SSF funded benefits. The Budget Office can provide more information about the plan for the use of reserves.

4) Minutes from 11/14/11 meeting approved.

- 5) 2011-12 Budget Survey and Questionnaire review
 - a) Have the subcommittees meet and summarize and draft presentations next week.
 - b) Following meeting present summaries to the committee at large.
 - c) Karen will send Aaron an update master spreadsheet.
- 6) Meeting adjourned.