

PROPOSED EXPANDED RECOMMENDATIONS

- **Recommendation 1:** Systematically collect and present information on the effectiveness of comprehensive academic program reviews by our campuses and Academic Senates.
- **Recommendation 2:** Systematically collect and present information from the Chancellors regarding their policies and practices of ensuring academic units are meeting core course teaching requirements through improved curricular design, better term-to-term planning of curricular offerings, and better alignment of faculty course assignments with workload policies.
- **Recommendation 3:** Increase to \$250 million per year in five years the income derived from self-supporting and part-time programs. The initiative will expand opportunities for a UC education to existing and potential students, working professionals, and underserved communities, while generating revenues that may be applied in support of UC's core instructional mission.
- **Recommendation 4:** Convert all UC campuses to a systemwide semester calendar.
- **Recommendation 5:** Increase successful community college transfers to UC.
- **Recommendation 6:** Accelerate and broaden the pilot program on online instruction.
- **Recommendation 7:** Initiate planning for a coordinated approach to the delivery of online instruction.
- **Recommendation 8:** Increase faculty salaries from additional non-state resources where possible.
- **Recommendation 9:** Establish a Presidential initiative to drive systemwide efficiency measures in our administrative and financial practices.
- **Recommendation 10:** Implement a "University of California Strategic Investment Program" (UCSIP) program to fund strategic investments.
- **Recommendation 11:** Increase overall fundraising by UC campuses and develop new models that direct all or a portion of these revenues to support core academic needs

PROPOSED EXPANDED RECOMMENDATIONS

Recommendation 1: Systematically collect and present information on the effectiveness of comprehensive academic program reviews by our campuses and Academic Senates including (1) the elimination of unnecessary program duplication, (2) intra-and inter-campus program consolidation, and (3) programs discontinued due to low enrollment, low degree production, and/or quality concerns, particularly those that are not responsive to state need or student demand. Request the Chancellors work with campus Academic Senates to reinforce that the program review mechanisms are designed to:

- **encourage investment in new programs while recognizing budget constraints may require redistribution of resources to support them;**
- **ensure reappraisal of existing programs at regular intervals to determine whether to maintain, expand, contract or discontinue programs.**

State fiscal circumstances are such that the University is shifting from a long-term growth pattern to steady state mode for the foreseeable future. Accordingly, it is imperative that campuses carefully evaluate, more rigorously than ever, each new proposal in light of the resources available to fund its entire academic program. Proposals should be encouraged as they represent faculty innovation in new fields or additional student demand or state need in existing areas. They are often the instructional counterpart of knowledge creation and therefore imperative to support as part of the University's evolving educational profile.

To accommodate valuable new initiatives or individual program growth, however, UC academic and administrative leaders must consider the implications of having fewer resources available for other endeavors. Adding new programs in a zero-sum environment requires eliminating existing programs based on some assessment of their relative value. Programs with low enrollment, low degree production, and/or quality concerns – particularly those that are not responsive to state need or student demand – are good candidates for this type of assessment.

Chancellors must continue to ensure that Deans and faculty reviewers are empowered to conduct candid evaluations and to act on those expeditiously when contraction or discontinuance is indicated. They also must exercise authority to prevent *unnecessary* duplication of programs across the system. Most campus to campus “duplication” is warranted in terms of student demand and state need: no one would argue that one English, mathematics or biology department is sufficient for the entire University. Nonetheless, review of both existing programs and new proposals should include assessment of the extent to which offerings are currently available in other parts of the University. Faced with limited resources, campuses may elect to collaborate to provide programs that are difficult to support with enrollments from a single campus.

Rationale:

- Priority-setting is critical in this fiscal environment. Accretion of programs is not an option and campuses must make informed choices among competing interests. Programs are not widgets that can (nor should) be easily or lightly added or dismantled. Maintaining robust review processes will highlight trade-offs embedded in each decision related to the academic program. By informing these decisions, rigorous program

review processes will support campus efforts to shrink and/or eliminate academic programs where indicated. Such actions are a difficult but necessary part of making the best possible program choices in an era of stable or declining resources.

Impact on Access:

- This recommendation does not have a direct impact on student access to the University but rather would affect the programs and courses available to UC students.

Impact on Quality:

- Strong program review processes will help ensure that UC continues to establish and maintain programs of the highest quality. Historically, it has been a challenge to close weak programs and there has been only episodic pressure to do so, coinciding with budget cuts in previous economic downturns. Current cuts are so severe that routine, unflinching assessment of all programs – existing and proposed – must continue to prioritize among the many demands for resources. Quality will be well-served by targeting resources to programs of highest priority, eliminating unnecessary duplication, and encouraging intercampus collaborations that may arise out of fiscal necessity.

Fiscal Implications:

- This recommendation should yield savings by monitoring and strengthening campus ability to downsize or eliminate certain programs and preventing unnecessary program duplication across the system. These “savings” will be directed at investing in new programs or growing existing programs.

Challenges:

- Contraction/elimination of programs: Faculty may be resistant and timeframes for realizing “savings” are not immediate (i.e., a number of years may be needed to accommodate teach out plans for students enrolled in programs slated for closure).
- Inter-campus collaborations: While there are existing examples (e.g., language consortium), collaborations on degree programs take a great deal of time, effort and coordination. Faculty may get discouraged by logistical and administrative hurdles.
- Enforcing a zero-sum program review approach may prompt faculty to seek professional degree fees or self-supporting frameworks for programs for which these models are not appropriate.

Next Steps for Implementation:

- Request campuses evaluate and, as necessary, modify existing program review processes:
 1. to require identification of resources to support approved new programs or significant growth in existing programs;
 2. to ensure that reviews of new proposals as well as existing programs include information on program availability elsewhere in the UC system, discussion of

why additional capacity is needed (if applicable), and identification of opportunities for intercampus collaboration (where appropriate); and,

3. to provide for timely action to consolidate or eliminate programs when such outcomes are indicated as a result of program reviews.
- Establish a systemwide framework for an initial comprehensive review of academic programs – building on existing, ongoing campus reviews – that identifies academic breadth and depth and areas of overlap and areas of specialization.
 - Ask campuses to undertake an evaluation of their academic programs utilizing the systemwide framework, and, if deemed beneficial, on a common timeline. Identify areas where a multiple-campus or systemwide approach could be useful in making academic program decisions.

Recommendation 2: Systematically collect and present information from the Chancellors regarding their policies and practices of ensuring academic units are meeting core course teaching requirements through improved curricular design, better term-to-term planning of curricular offerings, and better alignment of faculty course assignments with workload policies.

One of the hallmarks of UC quality is the depth and breadth of its curricula. In addition to prerequisite courses that are required to meet general education and major requirements, UC faculty offer a wide-ranging curricula that include many specialty courses that add richness to the educational experience of UC students. However, decisions regarding appropriate course offerings in a particular academic term are not necessarily based on a solid assessment of student demand. Through the following actions, this recommendation would attempt to increase student throughput and provide students the courses they need for regular progress.

1. Curricular redesign. If similar action has not already been taken, UC academic departments or units that offer baccalaureate degree programs should emulate the Challenge 45 process put in place jointly by the UCLA Academic Senate and administration. Specifically, programs should regularly review major course requirements for BA/BS degrees and seek to eliminate unneeded, outdated, or redundant requirements. In addition, programs should carefully consider the sequence of courses needed to complete the major, and test against the course taking patterns of its students.
2. Better planning of curricular offerings. Technology (degree audit systems) can enable campuses to look ahead and see in advance what required courses students (in aggregate) will need in a particular term. For example, these systems can identify that there are 30 Sociology majors entering their last term of their senior year who have not yet completed the upper division statistics requirement for the degree. Campuses and departments can use this information to fine tune the scheduling of courses offerings and then identify faculty to teach those courses.
3. Regular monitoring of faculty course assignments and workload policies and practices. Current UC policy requires every academic department to have a written policy concerning faculty instructional responsibilities and these policies are required to be provided to campus and UCOP officials. Campuses also collect detailed information on classes taught, number of students per class or section, instructor type, and student credit hours awarded. Where systems are in place to do so, campuses currently merge instructional data with degree audit data to determine appropriate offerings by term and needed class size, as well as assess faculty course and enrollment loads. UCOP will work with the campuses to build better monitoring systems that allow closer alignment of student course needs with available resources (e.g., faculty, classrooms).

Rationale:

- Benefit to state and society. Ensuring that UC provides efficient use of its instructional resources maximizes the support provided to UC from the state. Students graduating sooner can enter the workforce earlier and contribute to the state's social, cultural, and economic development.
- Benefit for students/families. Improved curricular patterns and sequences will provide more coherence to students pursuing particular majors and free up opportunities for

academic exploration outside of the major. Graduating in fewer terms would mean substantial savings (e.g., campus fees, housing and living expenses, and school loans) for students and their families.

- Benefit to the University. Examining and streamlining degree requirements provides the University an opportunity to update its educational objective and to better manage its curricular offerings. The University would make more effective and efficient use of its resources and produce more degrees for the same level of enrollment.

Impact on Access:

- Improved time to degree will result in more available spaces at the University for additional students. UC will be able to accommodate more students and more students will have access to a UC education. Access to gateway courses should also improve outcomes for community college transfer students.

Impact on Quality:

- Better-designed curricular sequences and more effective deployment of faculty to high-demand courses should improve the quality of the undergraduate educational experience. More advance notice in assigning faculty to courses should also allow faculty to better plan the time they devote to their equally important duties, research and service.

Fiscal Implications:

- Reduces the cost per degree to the state and the University by efficient use of campus facilities and instructional personnel. Contributes to affordability for students.

Challenges:

- Academic departments are already struggling to meet workload demands given budget reductions and furloughs – reexamining the curricula and ways to assign faculty to courses will require an upfront investment in faculty time.
- Implementation of this recommendation needs to be undertaken in a manner that does not negatively affect UC's other missions, research and service.

Next Steps for Implementation:

- Request campuses/academic departments to begin process of examining major requirements that exceed 180 quarter or 120 semester hours.
- Ensure that each campus has established procedures for projecting demands for particular courses in advance and utilizes that information to inform departmental teaching assignments.
- Improve systemwide collection of instructional data by expanding the data detail collected, and integrate collection into standardized data extracts collected on a routine (by quarter or semester) basis. Develop UC accountability measures that can be used

for comparing faculty workload across campuses and explore national data sources that might allow comparisons with similar institutions.

Recommendation 3: Increase to \$250 million per year in five years the income derived from self-supporting and part-time programs. The initiative will expand opportunities for a UC education to existing and potential students, working professionals, and underserved communities, while generating revenues that may be applied in support of UC's core instructional mission.

To achieve this aggressive goal, the President is instructed to:

1. In collaboration with the Academic Senate:
 - a. revise policies and streamline review processes so that proposals for new self-supporting academic degree programs can be reviewed and approved within 6 months from receipt; and
 - b. develop mechanisms to allow University Extension to offer baccalaureate and master's degrees with appropriate Academic Senate oversight.
2. Establish clear guidelines to distinguish self-supporting programs from state-supported ones with regard to their use of campus and university resources.
3. Develop as a shared enterprise the marketing, enrollment management, and other services that are required at scale to enable academic departments and campuses cost effectively to deliver self-supporting programs and that cannot be mounted as cost effectively by campuses acting independently. It is intended that such "shared services" would be developed and made available as systemwide utilities helping campuses, schools, and departments to offer self-supporting programs without diminishing their distinctive character or academic and business objectives.

Rationale:

By increasing the number and breadth of self-supporting degree programs, and introducing means that enable their timely expansion and/or contraction, UC will:

- Meet California's needs for more educated professionals.
- Respond to societal and workforce needs as they continue to change rapidly in volatile regional and global economies.
- Generate new revenue that will support its core mission.

Impact on Access:

- While the higher fee levels of self-supporting programs can be a barrier to access for some, these programs can be designed to return a portion of the fees to financial aid to ensure students of all means have the opportunity to attend these programs. In addition, to the extent that self-supporting programs generate additional revenues for academic departments, this improves access for students in the regular programs.
- Self-supporting programs, completion programs, and delivery of UC courses to non-UC students could all provide qualified students with another avenue to some high quality UC education.

- For UC-bound advanced high school students or CCC transfer students, access to UC courses prior to their matriculation at UC could potentially reduce the required credits they would need to take while on campus.

Impact on Quality:

- Degree programs and courses offered for UC credit, whether through departments or UC Extension, would continue to adhere to current Academic Senate processes and standards of quality. While faculty attention to larger numbers of programs presents some challenges, properly managed, this initiative could enhance academic quality by generating additional resources for core programs.

Fiscal Implications:

- Significant new revenue from new self-supporting degrees. Current UC self-supporting programs generate annually about \$100 million. Those programs yield about \$25 million per year above program costs, most of that revenue comes from the high-cost self-supporting executive MBA programs. The target for this recommendation would be to increase net revenues to \$250 million.
- These programs also could provide a source of additional graduate student support if supervised advanced Ph.D. students were permitted to teach in these programs.

Challenges:

- Obtaining Academic Senate support for these programs given the following:
 - Concerns about expanding the role of UC Extension to degrees.
 - Uneven understanding and application of existing policy across campuses with regard to self-supporting programs offered in collaboration with Extension.
 - Adequate resources for timely Academic Senate review of proposed new courses, programs or degrees.
 - Concerns over teaching staff and teaching load.
 - Concerns regarding the creation of a “second-tier” program.
- Protracted process for approval of new graduate programs may force campuses to miss time-sensitive opportunities.
- Absence of capacity to design, develop, and deliver revenue-generating self-supporting degree programs at scale including: market research, marketing and student recruitment, enrollment management, student advising and mentoring, student information and registration, course management systems, etc.
- Absence of investment capital to develop such essential services at scale, making them available to campuses, schools, and departments as utilities.
- Current inability to allow self-supporting courses to be taken by other students, and vice versa, which will require development of transparent financial accounting that will allow a permeable separation between self-supporting and regular courses and students.

- Eight campus extension programs operating on a sub-optimized level to offer services enabling self-supporting programs and competing over a finite market.

Next Steps for Implementation:

- Develop proposed policies on self-supporting programs that can be reviewed by the Academic Senate and UC Administration.
- Examine best practices from UC campuses and comparable AAU institutions and that have been successful in developing self-supporting programs.
- Begin process of identifying and cost-effectively sourcing from a shared or utility service, the capacity required to deliver self-supporting programs from multiple campuses, schools and departments. Look at shared or systemwide approaches such as those represented by the California Digital Library and strategic sources initiatives as well as campus-wide ones.
- Identify from strategic initiative funds the loan funding necessary to develop shared or utility services – and a business plan appropriate to repaying the investment.

Other Options Considered:

- Expand self-supporting programs under current policies, using under-capitalized service capacity.

Recommendation 4: Convert all UC campuses to a systemwide semester calendar.

Of the University of California's nine undergraduate campuses, only Berkeley and Merced offer a semester calendar. The remaining seven undergraduate campuses are on the quarter system, with the exception of some professional schools that have elected to maintain a semester calendar (e.g., UC Davis Law School, UCLA Law School).

The Commission on the Future recommends that all UC campuses convert to a single systemwide calendar and that the calendar be a semester calendar. This would ease coordination and collaboration across UC campuses and with Master Plan partners, other universities, and scholarly organizations. Although conversion to a semester calendar will require an initial financial outlay, long-term cost savings are expected from the leveraging of academic resources across campuses.

Rationale:

- *Calendar alignment within UC.* A single academic calendar for all UC campuses would facilitate multicampus endeavors in research and teaching (e.g., degree programs that span multiple campuses, online instruction offered at multiple campuses). The mechanism for students to engage in cross-campus instruction would benefit from a single calendar, as would systemwide planning, leveraging of resources, and coordination in areas such as enrollment planning and financial reporting. Transition to a single academic calendar would require curricular overhaul and review, which would refresh and strengthen the curricula in all disciplines, and present opportunities for cross-campus discussion and agreement on curricula.
- *Coordination with other California public higher education institutions.* A semester calendar would support the transfer function and the articulation of courses between the three segments of the Master Plan. The majority of California Community College campuses are on the semester calendar, as are the majority of California State University campuses. The assessment and transfer of credit from these educational institutions would be eased by a semester calendar.
- *Alignment with high schools, universities, scholarly and professional organizations, and internship opportunities.* California high schools are on the semester calendar, as are approximately eighty percent of all institutions of higher learning in the United States. Eighty-seven percent of AAU institutions are on the semester calendar. A semester calendar supports high school student participation in UC courses, and eases UC student and faculty collaboration with and participation in other institutions' programs, and vice versa (e.g., summer programs, education abroad, visiting faculty appointments). Scholarly and professional organizations coordinate the scheduling of conferences and events with semester calendars. Government and workplace internships favors students on a semester calendar, who have first pick of choice placements.

Impact on Access:

- *Improved articulation.* A systemwide semester calendar would ease articulation of courses between community colleges and UC for purposes of credit transfer.
- *Transfer experience.* A systemwide semester calendar would improve the transfer experience for community college students, many of whom find the accelerated schedule of the quarter calendar academically challenging.
- *Curriculum overhaul.* The curricular overhaul effort, which would have to be undertaken to convert from a quarter to a semester calendar, could be leveraged to further align UC courses with CCC courses.

Impact on Quality:

- *Learning outcomes.* There are no data on the difference in learning outcomes between quarter or semester calendars, and several institutions that have examined the issue have concluded that learning outcomes are not significantly different. The quarter calendar has time for more courses so students get more exposure to a variety of subjects; the semester calendar provides more time for in-depth teaching, research, fieldwork, and interaction with faculty. In addition, the semester calendar mitigates transition adjustments for freshman, transfer and graduate students from institutions on the semester calendar.

Fiscal Implications:

- *Cost of conversion.* Data on the cost of calendar conversion comes primarily from universities that undertook or contemplated the effort. The University of Minnesota converted from a quarter to a semester calendar in 1999, it engaged in a four-year preparation period and spent approximately \$5 million, not counting costs associated with modifications to student record systems. Ohio State University, which will transition from a quarter to a semester calendar in 2012, estimates that the total cost of calendar conversion will range from \$8.7 million to \$11.2 million. In 2001 CSU Los Angeles prepared a report on semester conversion and estimated that it would cost roughly \$3,277,800 over four years.
- *Information systems modifications.* Campus information systems, such as student records, course scheduling, and financial aid systems would require modifications to accommodate the conversion to the semester system. In 2002-03, UCLA estimated that systems modification for the campus would cost \$2.0-\$2.5 million.
- *Decline in student workload.* Universities that transitioned from quarter to semester terms experienced a temporary drop in student workload as students, who were accustomed to taking three or four courses per quarter, transitioned slowly to a four or five course workload per semester. This drop, which could affect state funding and student time to degree, is likely to be short-term – other institutions experienced a rebound in student workload within a few years of converting to a semester calendar.
- *Savings.*
 - *Fewer administrative cycles.* Initial savings may be realized in fewer administrative cycles per year (from three quarter terms to two semester terms)

of various university operations and activities (e.g., course registration, residence hall move-in, TA training). Other universities have not documented major savings, but they do report improvement in quality of services due to more time for operations in each term. Given others' experience, an estimate for systemwide annual savings from fewer administrative cycles should be conservative: \$250,000 to \$500,000 per campus or \$2 to 4 million annually for eight campuses at full implementation.

- *Shorter academic year.* Long-term savings may emerge from a shorter academic year – the semester calendar is shorter than the quarter calendar, between six and ten or more days shorter.
- *Reduced student attrition.* Another savings may result from reduced student attrition – the University of Minnesota reported that the drop in student credit hours between semester terms was eight percent, while the drop in student credit hours on the quarter calendar was double that, eight percent from fall to winter quarter, and eight percent from winter to spring.
- *Cross-campus programming.* The greatest savings may be found in cross-campus cooperation and leveraging, which would have to be pursued aggressively to be realized. For example, an under-enrolled program at one UC campus could be eliminated and made available online at another campus; or over-enrolled courses (in particular fundamentals classes such as Econ, Chem, Physics, Sociology) could be offered online at multiple campuses.

Challenges:

- *Curriculum rewrite.* Course curricula will have to be rewritten to accommodate a two-term instead of a three-term academic year. Institutions that adopted new academic calendars noted that the overhaul of course curricula was one of the major challenges – and rewards – of calendar conversion. In the few post-conversion institutional reports that are available, universities indicated that the curriculum rewrite posed a burden for faculty but led to stronger curricula that were coordinated across majors and departments.
- *Academic Senate support/opposition.* Reports on calendar conversion prepared by UCOP in 1994 and by UCLA in 2003 noted that, in light of the cost and effort involved, and in the absence of compelling evidence of pedagogic, financial, or intercampus/intersegmental advantages, faculty would oppose conversion to a systemwide calendar. That opposition is likely to be greater today as faculty face pay cuts, furloughs, and decreased campus services.

Next Steps for Implementation:

- *Policy approval process.* The authority for setting the academic calendar is specified in the Standing Orders of the Regents, section 100.4(h): “The President shall fix the calendar of the University, provided that no session of instruction shall be established or abolished except with the advice of the Academic Senate and the approval of the Board.” Any major calendar change would, therefore, require the approval of both the Academic Senate and the Board of Regents, a process that typically takes at least two years.

- *Preparation period.* Once a calendar change from the quarter to semester system is approved, the Office of the President and campuses would need an additional time period in which to prepare and implement the calendar conversion process. For example, courses will need to be redesigned and re-sequenced to fit a semester, rather than quarter schedule, using the divisional Academic Senate process for course approval. The University of Minnesota developed a four-year conversion schedule to implement its calendar change in 1999, and in a 2002-03 study UCLA estimated a need for at least a three-year preparation period for the semester conversion process.

Other Options Considered:

- *Convert all UC campuses to a quarter calendar.* The majority of UC campuses currently follow a quarter calendar. Converting the two semester campuses – Berkeley and Merced – to a quarter calendar would still afford the benefits of a calendar alignment across UC. However, as the majority of CSUs, community colleges, and AAU institutions operate on a semester system, and the trend among institutions undergoing conversion is from quarter to semester, UC would lose the benefits that a semester calendar would provide in terms of coordination with other institutions and easing articulation and credit transfer.

Recommendation 5: Increase successful community college transfers to UC.

Increasing the number of CC transfers will advance the UC's mission under the Master Plan, improve the demographic representativeness of our campuses, and reduce enrollment pressure on impacted general education courses. Improving the success of transferees by improving time to degree and other supports will improve the efficiency of "B.A. production" by UC. The subsidiary recommendations below would generate multiple benefits, supporting other aspects of the Commission's overall package.

Description and Rationale:

1. Require that all campuses [*viz.*, the nine "comprehensive" campuses] adopt a semester calendar rather than "quarters" to more generally align with the California Community Colleges (CCC) and the California State University (CSU), and thereby smooth articulation of course content and credits. Implementation in or before Fall 2014.
2. Require that all campuses recognize the common course numbering at the CCCs (in progress), using the common course descriptors, as opposed to individual course outlines, to determine transferability and applicability to degree requirements (i.e., articulation).¹ Implementation in or before Fall 2014.
3. Reinforce systemwide commonality of the treatment of transfer credit to be counted towards graduation requirements across the system. Allow that there be a rebuttable presumption that identifies lower division major preparation courses be counted towards fulfilling the requirements of the major, provided that a department or program might require that a transfer student take a limited number of credits of coursework to fill critical gaps in preparation. The presumption of credit towards degree would be lifted on a case-by-case basis, on petition of the department, by the campus Chief Academic Officer and only for compelling reasons. Implementation in or before Fall 2014.
4. Dramatically expand deployment of online, UC-approved, transfer-credit lower division courses, delivered by UC Extension or CCs. This will provide broader access to high-quality lower division credits, even at CCs badly strapped for instructional resources and juggling multiple education and training missions.
5. Instruct the Academic Senate and President to work with the CCCs and the CSU to explore creation of a "Transfer A.A." degree at community colleges that would include a common set of General Education courses as well as a specified number of units of lower division major preparation. The Associate Degree for Transfer would not guarantee admission to all majors or campuses, but would guarantee "junior status" at the receiving institution.

Explanation:

- *Efficiency and Time-to-Degree.* When departments across the UC system treat a transfer student's courses for purposes of fulfilling departmental requirements for their chosen major differently, it may delay graduation or lead to accumulating more credits than the degree ordinarily requires, especially for students who simultaneously prepare

¹ This recommendation is a generalization of the work on ASSIST, California's Articulation System Stimulating Inter-Institutional Student Transfer, and the C-ID Project.

for multiple campuses or majors. This costs the student time and money, and reduces the “efficiency” of the University. Efficiency means improving time-to-degree for the same expenditure, which would educate more students and thereby improve access. Taken as a whole, this recommendation might produce sufficient efficiency gains to permit some increase in the transfer population without significantly reducing the number of first-time freshmen. (Estimates are very uncertain.)

- *Transparency and Coordination.* Common course-numbering throughout the CCCs, and perhaps all segments, would greatly help CC students trying to understand what they must take to become transfer-eligible, in the field of their choice. This supports a “transfer culture” and also improves time-to-degree by “wasting” fewer credits. The same course identification tool, especially if combined with online or distance education, would facilitate potential UC transfer students enrolling in courses delivered on another campus and similar multi-campus collaborations in instruction. Campuses would be required to map their course numbers into the offerings contained in the central numbering system.
- *Credit Towards Major.* Simply put, the goal is to place the emphasis of the value of a UC education on the upper division coursework. To improve the transparency of the transfer pathway, the burden should be on the receiving institution to demonstrate why a transfer-eligible credit accepted at one UC campus should not also count towards degree requirements in the major at that campus. The recommendation provides flexibility for the department to fashion and require a gap-filling offering, perhaps tailored to small groups of transferees.
- *Transfer A.A. Degree.* Transparency for transfer-seekers would be further aided by creating this A.A. degree, based on work toward a state-wide common current general education curriculum. Perhaps even more important, adding a specific credential to demarcate this educational attainment would likely have market value for students and also provide some focus for the curriculum at CCs seeking to enhance their transfer culture.
- *Online.* UC-designed online offerings may be able to bridge the irreducible “confidence gap” UC faculty seem to hold towards CC offerings, and at the same time mitigate CC capacity constraints.² It will also improve the transparency of the “transfer credit” issue for students, and expand access to qualifying courses.

Fiscal Implications:

- *Semesterization:*
 - *Information systems modifications.* Campus information systems, such as student records, course scheduling, and financial aid systems, would require modifications to accommodate the conversion to the semester system. System-wide estimate: one-time costs over the implementation period of \$15-20 million.³
 - *Fewer operational cycles.* Cost savings may be realized by a reduction in the number of cycles per year (from 3 quarter terms to 2 semester terms) of various

² Of course, there is also a confidence gap for online offerings. The number of such credit-bearing courses across UC already number in the hundreds, and will likely increase dramatically in the coming years as the Academic Senate develops confidence in its ability to control quality.

³ In 2002-03, UCLA estimated these systems modification would cost \$2.0-\$2.5 million for their campus.

university operations and activities (e.g., course registration, residence hall move-in, TA training). Other universities that have recently converted have not documented major savings, but do report quality improvements in services due to having more time in each term. Given this experience, the system-wide annual savings estimate is very conservative: \$250,000 to \$500,000 per campus or \$2 million to \$4 million annually for 8 campuses at full implementation.

- *Efficiency and Time-to-Degree Gains Generally.* A conservative estimate of progress for this recommendation would be that 5 to 10 percent of transfer students would graduate one quarter earlier than under current policies. That would allow UC to educate 650 to 1,300 more transfers at no additional cost. It would save families (or financial aid programs) around \$13,300 for one less semester of attendance.⁴
- *Course Numbering/Articulation.* This recommendation would require a one-time investment of approximately \$3 million, and annual maintenance of no more than \$1 million distributed system-wide. However, these costs should be netted against savings that might result from improving time-to-degree efficiency, and savings from curricular consolidation or streamlining enabled by cross-registration and technology. No estimate for these savings.
- *Technology.* Online offerings by UC Extension will easily produce revenue, net of production and delivery courses. No estimate available.

Challenges:

- *Academic Senate support/opposition:*
 - Components of the Academic Senate have taken up the semesterization issue several times over the past 25 years,⁵ almost always concluding that the status quo, including the principle of campus-level decision, better serves the University's mission. For example, in 2003, a majority of UCLA faculty voted against semesterization, stating that "the quarter calendar best serves our tripartite mission of teaching, research and service."
 - The Academic Senate has had a mixed but generally negative view of common course numbering. The current statewide project in this arena, C-ID, is a new model with significant potential to streamline the articulation function but would require significant up-front participation by UC faculty to approve course descriptors, then on-going review/maintenance as is the case now.
 - Proposal 3, concerning credit towards the major, is problematic if implemented in a way insensitive to faculty prerogatives and academic judgments. The challenge is to strike the appropriate regulatory balance, as well as an accommodation between faculty judgments and the goals of the student and of the UC system more globally.
- *Resources.* This recommendation entails modest initial investments and limited on-going expenses, offset by financial benefits that are all but impossible even to estimate with reasonable confidence. They would, however, present a means of stabilizing and

⁴ UC awards about 43,000 BA degrees a year, with 30 percent coming from transfers or about 13,000. 5 to 10 percent would be 650 to 1,300 students

⁵ UC Berkeley converted to semesters in 1983-84 and UC Merced began on a semester calendar

enhancing the transfer mission and our efficiency goals even in the face of continuing budgetary challenges.

Next Steps for Implementation:

- *Semesterization:*
 - *Policy approval process.* The authority for setting the academic calendar is specified in the Standing Orders of the Regents, section 100.4(h): “The President shall fix the calendar of the University, provided that no session of instruction shall be established or abolished except with the advice of the Academic Senate and the approval of the Board.” Any major calendar change would, therefore, require that the President consult carefully with the Academic Senate and have the support of the Board of Regents.
 - *Preparation period.* Once a calendar change from the quarter to semester system is approved, the Office of the President and campuses would need an additional time period in which to prepare and implement the calendar conversion process. For example, courses will need to be redesigned and re-sequenced to fit a semester, rather than quarter schedule, using the divisional Academic Senate process for course approval. The University of Minnesota developed a four-year conversion schedule to implement its calendar change in 1999, and in a 2002-03 study UCLA estimated a need for at least a three-year preparation period for the semester conversion process.
- *Requirements for the academic degree fall under faculty purview.* Request that the faculty initiate a review of streamlined transfer preparation pathways from California Community Colleges to the University that would include the use of descriptor-based articulation, the development of a common GE pattern across CSU and UC, and the possibility of UC’s acceptance of an appropriately designed Associate’s Degree for Transfer (in collaboration with CCC and CSU faculty) with the goal of implementing approved changes no later than Fall 2014.

Recommendation 6: Accelerate and broaden the pilot program on online instruction.

Eventually, there will be online credit-bearing courses and B.A. degrees in the so-called quality sector. That much seems certain. The questions are: Who will develop and deploy the first successful model, when will they do it, and can it be at a scale sufficient to make a meaningful difference in access to higher education. The Commission's proposed answers are: *UC should be first, as soon as possible, and our ambitions should err on the side of boldness.*

The UC Office of the President is raising external funds and preparing to launch a Pilot Program to develop 25 to 40 very high quality online courses for asynchronous delivery of lower division courses. The courses will be primarily the "gateway", "impacted", and general education courses with the heaviest enrollments system wide, and in most demand by community college students planning to transfer.

In addition to state of the art online video material, the courses will use the latest social networking software, videoconferencing with graduate student instructors (GSIs), innovative forms of online coaching, and so forth. To create and deliver courses, the Program will award grants to UC faculty with stellar teaching records using a competitive RFP process. The grants will include funding for summer salary, or for teaching relief. Each course must be approved through the normal Academic Senate process, and a joint Administration-Senate advisory panel has been formed to help guide the project, especially in the design of an evaluation.

The single most important question to be answered is whether this mode of delivering instruction can be done at a level of quality equal to, although different from, traditional on-campus instruction. Additional study questions include production costs, administrative systems, revenue potential, GSI training, and scalability.

Recommendation Elements:

1. The Regents should instruct the President and Senate to execute the Pilot Program on an urgent basis. The Education Policy Committee of the Regents should review the progress of the Pilot Program at each of its meetings.
2. The Pilot Program must give particular attention to answering questions concerning quality, the possible benefits to improving on-campus programs, and the measures necessary to do on-line education on a large scale in order to serve people not enrolled on campus. These online audiences might include, for example, community college students, people in need of credits for degree completion, and enrolled UC students who cannot be on campus full time for personal or financial reasons.
3. The President should enter into appropriate commercial relationships or contracts to expedite the Pilot Program. For example, some portion of the Program may be funded as an unsecured loan to be repaid if a follow-on project at scale yields net revenue.
4. In reflection of the University's historic leadership in support of open access forms of scholarly communication and its public service mission, the finished content of the Pilot courses will be available at no cost for use by accredited public or non-profit institutions and by individuals.
5. The President and Academic Senate should make *best efforts* to report the results of the Pilot Program to the Regents no later than September 2011.

Discussion:

- “Elite” higher education increasingly means not only distinctively *excellent* but also *exclusive* and even exclusionary. An aspect of our public mission, however, is to make access to excellence inclusive despite myriad challenges. Online delivery may offer an affordable solution, although that excellence will “look” quite different.
- It will require investments of several billion dollars to create the bricks-and-mortar capacity to serve 12.5% of high school graduates 10 years from now. It is unrealistic to expect that the state will provide those resources, or that private donors will provide them, in addition to the appropriations and donations needed to sustain access and excellence for the university system we have today. This shortfall is even more pronounced if one takes a more expansive notion of UC-eligible including, for example, transfer, part-time and “non-traditional” students.
- Creating 25-40 UC-quality courses will generate many benefits, among them:
 - online offerings will help participating campuses reduce the incidence of impaction, offer summer or evening sessions, improve time-to-degree, and “share” offerings with other campuses;
 - online offerings can be made available to community colleges, high schools, and extension students; they could be delivered through University Extension or otherwise;
 - online offerings might facilitate a 3-year B.A. degree, or a “semester online” program analogous to a “semester abroad”; and
 - the Pilot will guide policy and design decisions about later phases of a still greater online effort by UC, e.g., an online “transfer A.A.” degree delivered in collaboration with the community college system.
- The planning effort addresses the chief problems encountered by others in this arena, including issues of faculty support, funding, and clarity of goals. The analysis has been ongoing since Spring 2009, involving UCOP staff activity as well as Senate committees.

Fiscal Implications:

- We recommend that the costs of the Pilot be raised from donors or, if appropriate, investors. The funding must cover all the costs of building, delivering and evaluating the 25-40 courses, including faculty compensation or release time.
- The intellectual property will be “open” in some fashion. Nevertheless, significant revenues are possible if a course is actually *delivered* – i.e., offered with credit instructor contact, grading, admission/enrollment machinery, etc. – to people not already enrolled at UC, or not simply diverted from University Extension. We expect substantial revenues from the follow-on work, but not from the Pilot.
- The costs of delivering an online course should compare favorably with that of delivering a traditional course, but we do not seek significant changes in total expenditures because those faculty who are freed up from teaching because of an online alternative

will presumably be redeployed to other teaching duties, such as lower division seminars, specialized upper division courses, or supervision of student research.

Challenges:

These are numerous but tractable especially given the high level of consultation and engagement that is already in place, and the expressed willingness to move forward with the Pilot as defined (the April 2010 Academic Council endorsement is particularly important in this regard). Challenges include:

- Absence of any agreed upon pedagogical or technical framework that can ensure courses are developed to emphasize modularity, platform independence, and scalability.
- Absence of any agreed definition of educational quality or mechanisms for assessing learning effectiveness of online as compared to traditional forms of instruction.
- Absence of any agreed upon understanding about how to review an online course for the purposes of its Senate approval; the criteria that will be used, and the stage of course design/development that would be required to trigger a review.
- Challenges inherent in reviewing and approving courses on a systemwide as opposed to campus-by-campus basis as may be useful in developing courses that are routinely made available across or between campuses.
- Underdeveloped mechanisms for fostering collaboration of the substantial but highly fragmented expertise and the staff and technology resources that exist across the system.

Next Steps for Implementation:

- Preparation of a Regents item.
- Complete fundraising ASAP.
- Identify through competitively reviewed proposal processes, introduced as soon as funding is available:
 - Faculty interested in participating in the project by designing, developing, and offering online courses for credit bearing instruction and participating in programmatic evaluation of cost, learning effectiveness, etc.
 - Education technology (course design and development) expertise to support the project, develop appropriate standards, facilitate sharing of best practices.
 - A research and evaluation group that can design and, with the faculty course developers, implement a common assessment framework to gather data about learning effectiveness, cost, etc.
- Assemble a small number of dedicated staff to drive the Pilot under the direction of the Vice Provost for Academic Planning. The staff need not be located in Oakland.

Recommendation 7: Initiate planning for a coordinated approach to the delivery of online instruction.

To reiterate the recommendation for an expedited Pilot Project for lower division online courses:

Eventually, there will be online credit-bearing courses and B.A. degrees in the so-called quality sector. That much seems certain. The questions are: Who will develop and deploy the first successful model, when will they do it, and can it be at a scale sufficient to make a meaningful difference in access to higher education. The Commission's proposed answers are: *UC should be first, as soon as possible, and our ambitions should err on the side of boldness.*

We must plan assuming an indefinite period of serious financial pressures. Moreover, with or without revisions to the Master Plan, there will be growing political, economic and social demands for undergraduate spaces. Access to excellence is already too limited, and the future will be worse absent a combination of transformation and innovation – in both how we deliver on our mission and how we fund it.

The Pilot Program is an opportunity to begin a dramatic move forward in this domain. This recommendation is that we move in parallel with detailed planning for follow-on efforts that leverage in a coordinated fashion the availability of online credit-bearing courses developed by UC.

This will enable the Regents to move quickly towards a more ambitious vision, *if and only if* the results of the Pilot are encouraging.

Recommendation Elements:

1. The Regents should direct the President to prepare plans, including organizational and business options, that leverage online courses developed by UC faculty and in a coordinated or systemwide fashion seek to:
 - expand substantially the number of UC-eligible students with access to UC-quality courses and degrees beyond the capacity of our on-campus programs;
 - generate a large new revenue stream to help sustain access and excellence in our on-campus program; and
 - drive innovation in instruction.
2. Those plans should look at models, and reflect different possible outcomes of the pilot investigation including:
 - Senate approval of or interest in exploring online B.A. or other degrees.
 - Senate approval of or interest in exploring the use of online courses to contribute a proportion of undergraduate credit hours in selected majors.
 - Use of online courses for credit that may be transferred to and used at third party institutions.
3. Such plans will be developed with the understanding that implementation will be *contingent on, inter alia, the demonstrated excellence* of the online content developed in the 2010-11 Pilot Program.

4. The Senate should establish special processes and committees as necessary to analyze, deliberate and advise the President expeditiously on this undertaking.
5. The Education Policy Committee of the Regents should review the progress of this effort at each of its meetings.
6. The President should make recommendations to the Regents on whether and how the University will implement and institutionalize online instruction no later than Fall 2011.

Discussion:

- UCOP Academic Planning has developed a detailed, step-by-step, *draft strategy* for leveraging online instruction to expand access to UC-quality courses and degrees and generate revenues through online instruction, returning revenue to support core research and teaching. The strategy envisaged different possible outcomes or trajectories as identified in 2 above. Progress in moving forward along any trajectory is predicated on answering a set of questions about quality, business model, market analyses, faculty engagement, etc. This recommendation is to elevate and continue this planning effort, aiming for completion contemporaneously with completion of the Pilot.
- A coordinated or systemwide approach will be more cost effective in delivering educational programs which, owing to their reliance on rapidly evolving information technologies and on high-touch interaction with potential applicants as well as with enrolled students, requires scale that is not currently available and very difficult to build on a campus-by-campus basis. While commercially managed educational service providers are available to campuses or academic departments to support local efforts with scaled capacity, they typically operate under long-term exclusive revenue sharing relationships. While promising a quick start, they slow institutional capacity building which is likely to be essential over the longer term.
- Accordingly, another recommendation proposes an aggressive strategy for University Extension (UNEX). There has been historic Senate opposition to a degree-granting role for UNEX. In this context, however, there would be advantages to using UNEX as the organizational base for the online instruction program, and exploring joint branding of degrees with the individual campuses.
- A coordinated approach will not impede campus-based or departmental efforts. On the contrary it may be envisaged as a central utility service that all require in order to succeed, though none can afford as effectively acting independently. In this regard, a coordinated utility capable of supporting online instruction at scale may adopt the model implemented with the California Digital Library – a service that specifically supports local campus efforts.
- Incremental advances without embracing and announcing a vision is certainly a possible approach. It would have fewer internal political and bureaucratic risks. On the other hand, a clear vision of a University-wide effort that aggressively pursues opportunities inherent in online education would likely mobilize support from potential donors, the Legislature and the general public. It will also:
 - Provide a focal point that would enable the University to develop, coordinate, and coalesce the enormous but highly fragmented assets, particularly those in

University Extension, that uniquely give UC substantial institutional capacity to be successful in online instruction.

- Provide a powerful vehicle for underscoring UC's commitment to access for all Californians. This bold vision articulates the possibility of serving UC-quality students not only from California, but also from Sheboygan and Shanghai.

Fiscal Implications:

- We believe a coordinated approach to the delivery of online courses or degrees that leverages the brand of UC and its campuses, will solicit virtually unlimited worldwide demand from highly qualified applicants.
- Obviously a critical variable in the financial model is tuition (net of average financial aid grant). While many have suggested that tuition be equal to tuition for on-campus degrees, others have suggested lower numbers, especially for California residents. Whatever the level, however, there would be financial advantages to cyber-students because they would presumably be staying at or near home, and in many cases working part time.
- Online bachelor's degrees would require, at startup, approximately 100 courses including those produced in the Pilot. With conservative assumptions, financial sustainability could be achieved with as few as 10,000 students if tuition is comparable to the on-campus program.
- Net revenue in the longer run would be comfortably into 9-figures, provided there are satisfactory academic personnel systems for providing UC-quality instructors-of-record and section leaders.

Challenges:

- The principal difficulty in moving expeditiously, as proposed here, is securing the needed shared governance support.
- The organizational arrangements, including Senate supervision of curriculum, degree requirements, and admissions.
- Distribution formula for net revenues to the campuses.

Next Steps for Implementation:

- Preparation of a Regents item.

Recommendation 8: Increase faculty salaries from additional non-state resources where possible.

The recommendation aims to increase faculty salaries with non-state funding sources, by providing an alternate compensation plan that allows sources of income outside of the University to supplement faculty salaries, while remaining compliant with University policy and federal and state regulations. The proposed plan will allow adding a salary increment above the salary provided by the current faculty compensation plan.

Rationale:

- By our analysis, UC faculty salaries lag the Comparison 8 institutions by 11.2%, a gap that is expected to increase over the next year(s) if no action is taken to address market competitiveness.
- The Health Sciences Compensation Plan (HSCP) and Guidelines on Outside Professional Activities (APM-670) has achieved the goal of combining state funding with other income, such as contracts, grants, and clinical revenue. Features of the HSCP may be applicable to a new compensation plan for some other UC faculty.
- The use of non-19900 funding sources is allowed by policy (APM-190-F), within certain limits, to raise ladder-rank faculty salaries. Sources allowed in current policy are: endowment income; fees for selected professional school students; and self-supporting professional degree program revenues.

Impact on Access:

- The quality of the University is defined by its superior faculty and the quality of student-faculty interactions. An additional compensation plan will help UC recruit and retain the highest quality faculty, which in turn, will improve access for the brightest and most diverse student body.

Impact on Quality:

- Current state funding levels leave UC vulnerable to loss of faculty. A new approach will provide the ability to increase salaries, without jeopardizing the future viability of the schools or disciplines, and can improve faculty recruitment and retention efforts.

Fiscal Implications:

- Data are required to assess the financial impact of the new compensation plan and model.

- The new plan can have no adverse financial effect on UCRP; fund sources should be directed appropriately to either UCRP or a new DCP plan for the extra compensation under this Plan.
- In this plan, a faculty member's salary increment will be negotiated annually, in light of available funding sources.
- The treatment of income received from outside professional activities will be addressed.

Challenges:

- The balance between teaching, research, and University and public service responsibilities must be maintained. Teaching effort must not be compromised.
- It is essential to comply with regulations governing the use of contract and grant funding to support salaries.
- Academic disciplines offer varying opportunities to raise non-state revenue. Careful consideration will be given to issues that arise between those faculty who, by virtue of discipline and trends in funding, can participate in such a plan, and those who cannot.
- Communications need to describe the approaching crisis caused by non-competitive faculty salaries and to mitigate against any adverse effect on current state-funding.
- APM-190-F will require updating if a compensation plan is approved; if additional types of revenues are identified to support ladder-rank salaries; and to address existing policy limits governing the ratio of non-19900 to 19900 funding allowed to support salaries.
- Several committees and groups are addressing the issue of the faculty salary lag: work is well-underway by Senate and Administrative groups at individual campuses and systemwide to analyze the problem.
- HSCP faculty members must deposit the HSCP income gained from outside professional activities (OPA). Equity issues could arise if general campus faculty may retain income from OPA.

Next Steps for Implementation:

Briefly, and in no specific order:

- Produce analytic work to measure implications of new model.
- Develop final proposal and draft new Academic Personnel Policy to circulate for UCOP, and systemwide Senate and Administrative review.

- Begin communications with State, Federal and Regental authorities to introduce the concept and analytic model.

Recommendation 9: Establish a Presidential initiative to drive systemwide efficiency measures in our administrative and financial practices

“Harnessing the power of the system’ applies not only to the academic enterprise, but also to the business practices of the University... [Operational efficiency] will require nothing short of a fundamental change in the University’s culture...”

- UC 2025: The Power and Promise of Ten, Report to the President from the UC Long-Range Guidance Team

This recommendation follows Recommendation 2 of the Funding Strategies Work Group. Through this initiative, in five years the University will redirect at least \$500 million annually to support core academic and research activities from a combination of cost savings, cost avoidance and revenue generation. Based on the University’s funding pattern, 60 - 70% of this amount is expected to be from UC core funds such as student fees, state general funds and the UC general fund.

The focus of this recommendation is not a justification of the need for increasing operational efficiency, as this has been demonstrated consistently throughout the history of the University with such recent reports as UC 2025: The Power and Promise of Ten, the Monitor Group Report to the Regents: University of California Organizational Restructuring Effort, and the Bain Report: Achieving Operational Excellence at the University of California, Berkeley, to name a few. Rather, this recommendation recognizes the complexity of a vast organization such as the University of California and the resistance to change that reflects a fragmented infrastructure, inefficient procurement practices and energy use, capacity underutilization, and increased bureaucracy within certain campuses.⁶ Formally establishing this type of authority may be best achieved through an amendment to Standing Order 100.4; this route should be explored with assistance from the Office of General Counsel.

Rationale:

- Financial and administrative restructuring can direct more resources to academic and research functions. Sacrificing the academic and research quality of the University of California is not an option. Recently the Regents sent a strong message to this end and endeavored to meet the challenges of growing demand, cost increases, a rapidly changing technological environment and reduction of state support through mandatory increases in student fees. While universally unpopular, the Regents acted out of necessity “to turn to every practical source of revenue and to balance the budget.” It should follow that we mandate the adoption and sharing of best administrative practices as well, even when they might seem unpopular or there exists a culture that is resistant to change. Simply kicking the can down the road to avoid making tough decisions not only devalues the costly and important effort already made to

“I do not know of any organization that achieves budget discipline from the bottom up. We need to be sufficiently top-down to get the job done. Nobody’s going to volunteer to make the kind of changes that are required.”

- Chris Edley, Special Advisor to the President, addressing UC Commission on the Future, March 23, 2010

⁶ These specific examples have been provided by the Bain Report – “Achieving Operational Excellence at the University of California, Berkeley” and are also conveyed by other campuses such as UC Davis.

identify efficiencies, but risks our competitive advantage as the world's leading research institution when the life blood of precious revenues are diverted to areas of the University other than its core mission of teaching and research.

- **UC must transition from idea to implementation.** Now is the time for action and speed is essential. We do not have the option to wait for another report to tell us

“While common IT systems promise to save substantially on redundant investment, they cannot be implemented unless and until business practices are aligned behind a standard on which all can agree (or at least agree to modify in some consistent way). The effort promises not only to reduce costs but to increase transparency in several areas, such as admissions and compensation.”

- UC 2025: The Power and Promise of Ten

what we already know. While the Commission evaluates this recommendation, real dollars are flowing out of the UC system that would otherwise be captured and realized through the adoption of best practices. These dollars are vital support needed to maintain UC's dominance and excellence in its core mission of teaching and research. In addition, the borrowing costs of the University

remain near historic lows. Investments in technology and enterprise systems can yield long-term savings in the operating budget, particularly when financed with these current low rates. The Commission should also recognize that each campus is unique and periodically there may be exigent circumstances whereby greater savings may be achieved by using innovative alternatives to the established best practices. Some of these measures lend themselves to universal implementation and application, where individual campuses can hurt the system by opting out. Other measures require tailored solutions, reflecting the specific circumstances of each campus. It should be made clear, however, that the President is the sponsor of any initiative to adopt best practices, and accountability will be upheld as outlined in Recommendation 2.

Impact on Access:

- To the extent that administrative costs can be reduced and operations improved, resources will be redirected to other functions.

Impact on Quality:

- The impact on the quality of services for each campus will be evaluated on an individual basis. Adoption of administrative best practices will not be associated with a reduction in quality. However, the campuses and Chancellors must demonstrate to the President any degradation in quality in order to “opt out.”

Fiscal Implications:

- Through this initiative, in five years the University will redirect at least \$500 million annually to support core academic and research activities from a combination of cost savings, cost avoidance and revenue generation. Based on the University's funding pattern, 60 - 70% of this amount is expected to be from

UC core funds such as student fees, state general funds and the UC general fund.

- While the net cost implications of this recommendation are minimal, the impacts of sharing and implementing best practices have tremendous potential. As identified in Recommendation 2, there are tangible opportunities for both long term cumulative savings and “quick wins” such as the recommendations outlined by the UC Work Group on Administrative Efficiencies titled “Building Administrative Efficiency – July 2008” and chaired by Vice Chancellor Sam Morabito of UCLA. Specific examples of these and other initiatives are provided below:

Functional Area	Strategies/Initiatives	Potential Annual Savings/Cost Avoidance
Procurement / Strategic Sourcing	<ul style="list-style-type: none"> - Shared credit card payment gateway - Collaborative RFPs for similar services - Require EFT for vendor contract payments - Common CONNEXXUS travel program - eProcurement implementation at every campus 	\$60 - \$120 million
Library Administrative Efficiencies	<ul style="list-style-type: none"> - Technical and cataloging services - Collection management 	\$65 million
Financial Management	<ul style="list-style-type: none"> - Further restructuring of debt and creation of Capital Bank - Expansion of TRIP asset management program - Development of new philanthropy models 	\$50 – \$100 million
Information Technology	<ul style="list-style-type: none"> - Systemwide data warehousing - Shared emergency recovery services and research computing - Consolidate bidding for telecom centers - Intra-campus consolidations - Centralized help desk support 	\$20 - \$30 million
Payroll	<ul style="list-style-type: none"> - UC-PPS Initiative 	TBD
Risk Management	<ul style="list-style-type: none"> - Policy restructuring - Captive/self insurance 	TBD
Human Resources	<ul style="list-style-type: none"> - Common HRIS system - Expansion of benefit service center 	TBD
Energy	<ul style="list-style-type: none"> - Expansion of Strategic Energy Partnerships with IOU's - Development of systemwide energy program 	TBD
Legislative Relief	<ul style="list-style-type: none"> - Stull Bill revisions - Other legislative relief issues 	TBD

Challenges:

- Resistance to change.

- Insufficient information to determine actual savings versus cost avoidance.
- Specialized programs and practices make certain campuses inflexible.

Next Steps for Implementation:

- Adoption of Recommendation 2 from the Funding Strategies work group followed by Regents action with delegation to the President to mandate campus adoption of best practices.

Other Options Considered:

- none

Recommendation 10: Implement UCSIP program to fund strategic investments.

“...[W]e will need to make significant investments in automation, process improvements, people, and training, many of which are long overdue. We are exploring alternatives for low-cost financing that will enable us to borrow the money needed to make these investments soon in order to produce real savings quickly.”

- Chancellor Robert J. Birgeneau's Response to Operational Excellence Report, May 3, 2010

This recommendation follows Recommendation 2 of the Funding Strategies Work Group. UCSIP stands for “University of California Strategic Investment Program.” At its most basic level, it is a financing program. As such, it leverages the University’s high credit rating to make low borrowing costs available to the campuses for a broader range of purposes beyond solely capital construction. In particular, the three areas funded by UCSIP would be: (1) capital equipment purchases, (2) faculty recruitment, and (3) operational system implementations. These three segments of UCSIP are described in further detail below:

CapEquip (Capital Equipment Financing)

Purpose: Equipment acquisitions in lieu of third-party leasing
Strategic Goal: Cut costs by leveraging economies of scale inherent in UC debt program
Size: \$200 million overall per year
Structure: CP-amortizing loans
Rate: 4% (subject to annual review)
Max Term: 7 years
Debt Service: Campus funds that formerly paid third-party lease payments
Distribution: Campuses submit needs annually in March

STARs (Strategic Teaching Acquisition & Retention)

Purpose: Lab renovations/equipment specific to a single faculty recruit
Strategic Goal: Maintain competitive research excellence and academic quality
Size: \$20-\$50 million overall per year
Structure: CP-amortizing loans
Rate: 0%
Max Term: 11 years average (15 years for lab renovations; 7 years for lab equipment)
Debt Service: Principal paid by ICR (interest covered by the program)
Distribution: Campuses competitively apply throughout the year

C3 (Cross-Campus Collaborations)

Purpose: Regional centers of excellence and/or systemwide efficiency initiatives
Strategic Goal: Cut duplication and increase systems commonality
Size: \$20-\$50 million overall per year
Structure: CP-amortizing loans
Rate: 0%
Max Term: 7 years
Debt Service: Principal paid by savings (interest covered by the program)
Distribution: Campuses competitively apply throughout the year

UCSIP is more than simply a financing program; it is also a mechanism that recognizes investments in UC’s future. By incentivizing campuses to compete for low-cost or no-cost strategic-investment funding, the program rewards operational excellence.

Rationale:

- For ten years or more, we have studied the obstacles to operational excellence. We know what needs to be done, but we have lacked the up-front resources required to make strategic investments. We have also inadvertently fostered a culture averse to risk-taking. When bad deeds go unpunished and good deeds go ignored, there is very little appetite for change. We have allowed this lack of resources and rewards to paralyze progress in many areas.
- By implementing a program that can not only finance a broad swath of needs but can also serve as a rewarding mechanism, we can remove at least part of the roadblock.

“The University’s ten campuses rely upon numerous common administrative and business practices ranging from human resources to admissions and student records. Many have grown up to reflect variant local practice and so to require substantial and largely redundant investment in modestly divergent business systems.”

- UC 2025: The Power and Promise of Ten

Impact on Access:

- A penny saved is a penny that can be invested in activities closer to our core mission. To the extent that administrative costs can be reduced and operations improved, resources will be preserved for other functions, including access and affordability efforts.

Impact on Quality:

- Lackluster administrative systems and an inability to compete for top faculty talent will degrade our academic performance. We must proactively adopt practices that acknowledge quality as a measuring stick for both academic programs and administrative operations.

Fiscal Implications:

- The CapEquip segment of UCSIP is by far the largest, committing up to \$200 million of the Regents’ commercial paper program annually, as compared to \$20-\$50 million each for STARs and C3. CapEquip is also the only interest-charging segment under UCSIP. There are reasons for these differences:
 - The 4% cost of funds under CapEquip is a significant improvement over many third-party leases currently in place across the system bearing rates as high as 9.75%. Even if we assume third-party leases bear rates as low as 4.5%, CapEquip would still save the campuses \$1 million collectively in annual interest costs on \$200 million of equipment. The cost-saving aspect of CapEquip will incentivize campuses to use it.
 - It is important to note that the 4% cost of funds charged by CapEquip is 300+ basis points higher than the recent actual University cost of funds, which is currently below 1%. UCSIP can harvest the 300+ basis-point spread and use it to build up a pool that will fund the interest cost on the two smaller segments, STARs and C3.

- For instance, if all three segments of UCSIP are utilized to their respective maximums in the first year (and actual cost of funds for the University remains at 1%), then CapEquip would net \$6 million for the UCSIP reserve fund. After paying \$500,000 in interest expense each for STARs and C3 (\$1 million total), the \$5 million remaining in the UCSIP reserve fund will then go on to fund future interest costs on STARs and C3, and will serve as a buffer against increases in UC's actual cost of funds.
- The 4% cost of funds on CapEquip can support the overall UCSIP program as long as the University's actual cost of funds on commercial paper remain below 3.2%. If the University's CP rate exceeds 3.2%, the CapEquip rate charged to campuses can be raised from 4% to whatever level would continue to support the initiative. However, it is not expected that the University's CP rate would exceed 3.2% for any prolonged period, as short-term tax-exempt market rates have historically hovered near 3.0%, and have averaged 2.9% over the last ten years.
- In short, UCSIP is a self-funding, breakeven program.
- In terms of savings produced long-term by UCSIP, some fiscal implications are clear-cut and others are less so:
 - First, CapEquip is a clear cost-cutting procurement measure, whereby campuses can save hundreds of basis points annually in financing charges, likely summing to \$6-8 million systemwide on an annual basis.
 - Second, the fiscal implications of the STARs segment is less clear-cut, but all would agree that competitive recruitment of top-flight faculty is integral to the University's ongoing academic and research success; slow degradation of academic and research quality caused by poor recruiting is a cost that almost no amount of funding could reverse.
 - Finally, the C3 segment will implement the systemwide commonality that the University severely lacks; efficient, common-language systems will enable the University to right-size itself in many ways – from procurement, to shared services, to headcount, etc. – resulting in immeasurable bottom-line savings. We are currently in discussions with one campus about a project that could serve as the pilot for C3 and hope to have an announcement about this partnership before July 1, 2010.

Challenges:

- Availability of funds is limited. UCSIP hinges on the University's access to low-cost capital-market funding, which is not endless. We must manage our available resources wisely and choose key initiatives that will deliver the biggest impact for the University.

Next Steps for Implementation:

- The program's administrator will be the Chief Financial Officer at the Office of the President, in conjunction with the Executive Vice President and Provost and the Executive Vice President and Chief Business Officer.

- Guidelines for each segment – CapEquip, STARS, and C3 – will be drafted and approved at the UCOP level. This process is already underway and could be completed quickly with the right level of leadership attention. Subsequently, UCSIP can be rolled out as early as July 1, 2010.
- Alternatively, the CapEquip segment could be rolled out alone for the first year so as to build up the UCSIP reserve. Then in the following year, STARS and C3 could be implemented. This latter approach could serve as a conservative “test year” and provide funding assurance for a complete roll-out of the remaining two segments in Year 2.

Recommendation 11: Increase overall fundraising by UC campuses and develop new models that direct all or a portion of these revenues to support core academic needs.

The University of California has achieved tremendous success in private fundraising over the past twenty years. In the past decade, our campuses have collectively raised over \$1 billion annually, cresting at over \$1.6 billion in fiscal year 2007-08. In the last two fiscal years, the figure has topped \$1.3 billion annually in spite of the global recession.

The University's history of fundraising, however, is marked by a high level of restriction on the funds that are raised. Approximately 95% of UC's overall endowment payout is restricted, contrasted with 80% for most public institutions and 55% for private institutions. Only two percent of all gift support in recent years is unrestricted, even less for endowment. To put this in context, of the \$1.3 billion in funds raised in FY 2008-09, just over \$25 million could be characterized as unrestricted.

Campus fundraising has grown, in large measure, because of the cultivation of donors' interests and matching those interests with the academic and research pursuits on our campuses. There are examples of successful models, however, that utilize this approach but still generate support for core funding needs of the university: faculty excellence, graduate student support, and undergraduate access.

Increasing overall fundraising and developing new models to steer all or a portion of these funds to generate needed revenue would help support UC's core activities. For example, the University should seek to:

- Broaden fundraising for capital projects: Restricting the fundraising for capital projects solely to the "bricks and mortar" of the project limits the University's ability to borrow on a tax-exempt basis to pay for the construction of the projects. Money raised solely for that purpose can only be spent directly on construction. If a fundraising campaign is broadened to support the overall initiative – including the teaching and research activities in the building – the campus can increase its endowment, borrow at low rates for the construction, and include the cost of borrowing in the University's overall calculation of indirect cost rates on campuses.
- Develop private giving models with more flexibility: There are successful fundraising models, both within UC and throughout higher education, which recognize the interests of donors, but still enable all or a portion of the money raised to support the core activities of faculty excellence, graduate student support, and undergraduate access. The Hewlett model for endowment chairs at Berkeley presents a great example of coupling donors' interests with core support of the campus. Similar models could be developed for supporting faculty chairs, as well as for scholarship support, both for undergraduates and for graduate study.
- Direct more fundraising to term endowments, where a given donation is amortized over a set term –15 or 20 years, for example. A term endowment of fifteen years pays out over 2.5 times as much annually as a true endowment.
- Focus on fundraising that yields higher percentages of unrestricted dollars (annual funds, class gifts, parents' support). Set a goal of increasing the percentage of UC alumni giving by 50% in five years, recognizing that this form of fundraising is generally more expensive and longer in development than major-gift fundraising.

Rationale:

- This recommendation enables the University to leverage its considerable success in fundraising from our alumni, our current students, their families, and foundations and corporations throughout California and to direct this previously restricted support to the core activities of our campuses.

Impact on Access:

- With the focus on scholarship support through programs like Project You Can and the Blue and Gold Opportunity Plan, this recommendation should increase the amount of support for qualified and needy students in the UC system.

Impact on Quality:

- With the focus of this recommendation falling on our most critical core activities – faculty excellence and student access – this recommendation should enhance the overall quality of our campuses.

Fiscal Implications:

- The potential revenue opportunities from this recommendation are significant. Every 5% of fundraising that is directed to more flexible uses would generate roughly \$65 million for the UC system.

Challenges:

- This approach counters the University's traditional approach to fundraising and our funding model. In that model, State funds and student tuition and fees were generally used to fund our core activities with fundraising used to augment and fund special initiatives and capital projects in the units. Introducing these new models will require considerable donor education and advocacy.
- Similar education will be necessary to increase the overall support by our alumni and students. As a public institution, people believe that they support the University through their taxes. While this is accurate, the level of State support is no longer sufficient to support excellence at our campuses, and we need to increase overall support, as well as endowment support, to build a sustainable long-term funding model.

Next Steps for Implementation:

- Discussions with the Vice Chancellors of University Relations, as well as with the Chancellors and EVC's, who spearhead the bulk of fundraising efforts on the campuses.