July 10, 2009

Enrique Lavernia
Provost and Executive Vice Chancellor
Chair of the Budget Advisory Committee

RE: Report of Budget Advisory Subcommittee 1 – Instruction and Research

Dear Enrique,

Attached is the report of our subcommittee. We met 14 times over the last five months during which time we considered a wide variety of issues. The result of this effort is 11 recommendations for further consideration by you and the Budget Advisory Committee. Guiding our effort were seven principles which the subcommittee adopted at the outset of its work. In general, we believe that nine of our proposals could generate cost savings once they are implemented and two recommendations may produce additional income for the campus. However, more analysis and refinement is needed on all of our proposals to determine the actual contribution they may make to reducing campus costs, increasing campus revenues, and/or reducing staff workload. In general, the subcommittee found that the budget reductions in prior years made its task extremely difficult. Many areas of instruction and research have already undergone repeated cuts in recent years, and as a result finding additional ways to reduce I&R budgets is a daunting task.

We also want to acknowledge the excellent work and active participation of the subcommittee members. Without their involvement and willingness to engage often complex and sensitive issues, we could not have completed our task.

Sincerely,

Barbara Horwitz
Vice Provost – Academic Personnel
Co-Chair

Robert Berman
Professor, School of Medicine
Co-Chair

Attachment

Cc: Subcommittee members
Subcommittee staff
Report of the Budget Advisory Subcommittee
On Instruction and Research

July 10, 2009
**Report of the Budget Advisory Subcommittee**  
**On Instruction and Research**

**Introduction**  
The subcommittee was composed of 14 members representing academic and administrative units throughout the campus (see Appendix 1). Its work was guided by a set of seven principles that were developed during the subcommittee’s initial meetings (see Appendix 2). The resulting subcommittee recommendations fall into the following four groups:

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I. INSTRUCTION

Recommendation 1 - Remedial Courses

Proposal
The subcommittee examined the possibility of achieving savings by moving remedial /preparatory courses to either the community college system or UC Davis Extension. This could potentially include courses in mathematics, physics, chemistry, and English as a Second Language.

Mathematics appeared to offer the greatest potential due to the relatively large enrollments in these classes (note: in 2008-09 enrollment in the math 900 series courses, both co and pre, and the series B, C, D totaled 1,321). However, nearly all of these students – and the students enrolled in similar-type classes in physics and chemistry – are in the Educational Opportunity Program (EOP), and these courses are specifically tailored to meet their needs. Moving these courses off campus, to a community college for example, could jeopardize the quality and continuity of support these students receive from these courses. Consequently, the subcommittee does not recommend this option (note: the mathematics placement test that each freshman takes identifies approximately 300 students each year who are not in the EOP program but still need remediation in mathematics. These students are directed to Sacramento City College where they enroll in Workload 55, a remedial mathematics course similar in design to Workload 57, the Subject A course currently taught by Sacramento City College).

The English as a Second Language (ESL) Program offers courses for registered undergraduate and graduate students at UC Davis, including international and ESL graduate students, as well as limited status international undergraduates (Education Abroad Program participants). The purpose of the program is to improve students’ English language skills. The program is housed in the Linguistics Department in the College of Letters and Science, one of ten departments in the Division of Social Sciences. The program offers three, four, and five-unit courses in writing and speaking skills, as well as one-unit courses in selected academic skills, such as reading, communication and culture, vocabulary development, listening comprehension, grammar, and writing.

The ESL instructors are Unit 18 lecturers, several of whom have continuing appointments, and graduate students in the Linguistics Department. The Linguistics M.A. program prepares students to teach English to speakers of other languages (TESOL) and provides them with a strong background in formal and descriptive linguistics. The Linguistics Ph.D. program allows students to focus in the areas of either structural/theoretical linguistics or second language acquisition and development. The table on the next page displays relevant data on the ESL courses and their instructors for two years.

The subcommittee considered the potential for budget savings if the ESL program were transitioned to a more self-supporting mode. Options include having the program integrated into UC Davis Extension, Summer Sessions, or moved to the community college system, possibly with some enrichment features added.

It is reasonable to assume that these ESL courses could be specifically designed to address the differing needs of graduate and undergraduate students. For example, undergraduates who are required to take Subject A do so by enrolling in an approved community college course offered by Sacramento City College here in Davis. The course is primarily funded by the community college system, but the University provides supplemental support to allow for smaller classes than would otherwise be possible. In general, this approach is more cost effective than offering these remedial courses on campus. The community college system might likewise be adapted to provide appropriate English reading and writing instruction designed for undergraduates.
### Linguistic Courses

**English as a Second Language**

**Enrollment, Sections and Instructors**

<table>
<thead>
<tr>
<th></th>
<th>2002-03</th>
<th>2007-08</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Enroll</td>
<td>Sections</td>
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<td><strong>Course Level</strong></td>
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<tr>
<td>Graduate Courses</td>
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<tr>
<td>Undergraduate Courses</td>
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<td>47</td>
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<tr>
<td><strong>Total</strong></td>
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<td>67</td>
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<tr>
<td><strong>Instructors</strong></td>
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<tr>
<td>Graduate Courses</td>
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<tr>
<td>Lecturers</td>
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<td>TAs</td>
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<td>4</td>
</tr>
<tr>
<td>Other</td>
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<tr>
<td><strong>Total</strong></td>
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<td>TAs</td>
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<tr>
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<td>965</td>
<td>67</td>
</tr>
</tbody>
</table>

**Note:** ESL courses designed for graduate students are: 25, 26, and 391; for undergraduates: 21, 22, 23, and 96

In a similar fashion, courses designated for international and ESL graduate students might be offered through UC Davis Extension and Summer Sessions. UC Davis Extension has run a highly successful English program for international students for more than 35 years. The program has been keenly responsive to developing courses to meet students’ needs, including a program for science and engineering students.

**Potential savings**

The salary and benefits costs of ESL instructors during the academic year total approximately $475,000 annually. Indirect costs are difficult to estimate, but imputed from the campus’ federal indirect cost rate would be approximately $250,000.

**Metrics and data sources for further evaluation**

Metrics would be direct and indirect costs to the campus and fees for enrolling students. Data sources would include DaFIS and student enrollment data.

**Who might be consulted**

The Academic Senate, the deans of the Division of Social Sciences and Graduate Studies, the chair of the Linguistics Department, the director of the ESL Program, and the College of Letters and Science Undergraduate Education and Advising Office.
Recommendation 2 – Small Classes

Proposal
Minimum enrollment limits set in 1973 by University of California systemwide policy are as follows: lower division (12), upper division (8), and graduate division (4). A copy of this systemwide policy as conveyed by former UC President Hitch is attached as Appendix 3. It provides that in the event that enrollment in a class falls below the minimum in two successive offerings, the class should not be offered again with enrollment below the minimum without approval of the relevant dean. Even where this history does not exist, a course that fails to attain the minimum enrollment size after the second class meeting should be cancelled if practical and the instructor given another teaching assignment. Exceptions may be granted for the following: courses required for graduation, if canceling the class would affect the date of graduation of enrolled students; courses required in a major program, if the class must be offered at a particular time to maintain the proper sequence of courses; and courses in which special facilities limit the size of the class.

A great deal of change has occurred since the systemwide policy was articulated more than three and a half decades ago. In light of ongoing campus budget constraints, the subcommittee recommends that the Davis campus adopt a policy of minimum undergraduate class sizes 50% higher than systemwide minima: that is, minimum enrollments of 18 for lower division courses and 12 for upper division courses whenever feasible. These campuswide minima will revert to systemwide ones in cases where there is a compelling pedagogical argument to do so. Exceptions to policy noted above will also continue to apply at the campus level. Graduate courses will continue at the historic minimum (4).

The subcommittee also recommends that the Supplemental Instruction Allocation formula used by the campus to allocate funds for non-Senate instructors to colleges and divisions be modified as follows:

- The number of primary lower and upper division sections taught by ladder rank faculty in each college or division that have enrollments of less than the minimum will be summed for the most recent academic year.

- The proportion of small classes will be determined based on the total number of primary classes taught by ladder rank faculty in the college or division in that year.

- If the proportion exceeds a specified percentage limit (reflected in a schedule yet to be developed), then the ORMP will reduce the total formula-calculated need for non-Senate faculty funds by the average cost of one non-Senate faculty member’s salary. As the actual percentage of small classes increases, this reduction will increase e.g., 10% = average salary for one non-Senate faculty FTE; 10% to 20% = average salary for two non Senate faculty FTE, etc.

- Courses taught on an overload basis are exempted from course enrollment minima. Deans will be responsible for monitoring these activities and for working with instructional units to enforce these minima in regularly assigned courses.

Potential savings
While the subcommittee conducted an extensive review of small classes, it did not attempt to apply its recommendation to the supplemental instruction formula. Therefore, it is unclear if the recommendation would result in an overall decline in supplemental instruction spending or simply constrain the growth of future supplemental instruction costs.

Metrics data sources for further evaluation
Actual enrollment data for the two most recent years should be used to model the changes in the supplemental instruction allocation formula.
Who might be consulted
The Academic Senate, the Vice Provost for Undergraduate Education, Deans, Office of Resource Management and Planning

Recommendation 3 – Faculty Instructional Workload Standards

Proposal
Every college, division, and school has in some form a faculty workload policy that guides the annual assignment and distribution of instructional responsibilities within the unit. If these policies were more uniform in structure, ladder faculty workload responsibilities could be more effectively addressed.

As a general principle, the subcommittee recommends that all faculty workload policies should contain the following basic components:

1. A statement of the annual class load (or credit hour total) that each ladder faculty member is expected to achieve. This provision might also include certain types of classes that each faculty member is expected to teach over a given period of time (e.g., a large undergraduate course, a “core” course required for a major, etc.). Further, it might also specify the types of courses that would not count toward meeting the standard class load requirement.

2. A statement that describes the circumstances under which exemptions would be granted for a portion of the annual class load. At a minimum, exemption criteria and the number of classes or credit hours for which they provide exemption should be specified for the following:
   - Administrative service. For example, service as associate dean, department chair, or department vice chair,
   - New faculty;
   - Other (as appropriate for each unit)

3. A statement regarding the determination of buy-outs from grants. The circumstances and terms for a course buy-out should be defined and be consistent for all units in the School/College/Division. The cost of the course buyout should reflect the time released from the course (e.g., 1/9 of a faculty member’s salary for a 3-4 unit course).

4. A statement that defines the minimum number of classes or student credit hours that every faculty member should teach annually after any course release has been applied.

5. A statement that describes how the annual class load (or credit hour total) would be increased for faculty who have good records in teaching but who have not made satisfactory progress in the other areas (research and/or service) required for advancement.

Potential savings
It is difficult to quantify the budgetary effect of this proposal. To the extent that the implementation of these recommendations results in ladder faculty increasing their share of total instruction, funds currently provided by the central campus and each dean in support of supplemental instruction would be freed up for other critical uses and/or savings. Funds available for redirection or savings, if any, will vary for each college/division/school.

Metrics and data sources for further evaluation
Develop a comparison of the Subcommittee’s proposal and each academic unit’s current workload policy.
**Who might be consulted**  
The Academic Senate, deans

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**Recommendation 4 – Enrollment in Introductory Foreign Language Courses**

**Proposal**  
The subcommittee believes that student access to certain courses should be determined on the basis of academic need. Specifically, the committee is concerned about the number of students who enroll in certain courses for reasons other than meeting course requirements needed for graduation or for their own edification. For example, some undergraduate students who have successfully completed introductory foreign language courses in high school or at a community college enroll in essentially the same courses at UCD. The motivation for this behavior varies. As a result, these students create an increased demand for introductory classes and contribute to the large wait lists for certain language courses that are likely composed of students who actually need college-level language credits in order to graduate. Therefore, the campus should adopt a policy that restricts access to introductory language courses for students who have already completed the same level of courses in high school or community college. Specifically, the policy should prevent a student from enrolling in the first quarter course of a language when he or she has already successfully completed two or more years of the same language in high school or community college (exceptions could be made by the deans for re-entry students).

Although the development of such a policy may impact the financial support provided to the graduate students who typically teach these sections, not doing so maintains an inefficiency in the delivery of introductory language courses. It would be important to ensure that the new policy was consistent with existing campus policies that provide students with a variety of options for meeting their language requirements for graduation.

**Potential savings**  
While the subcommittee did not review data that clearly identified the number of students who take foreign language courses for reasons other than baccalaureate degree credit, the subcommittee believes that the proposed policy will reduce the number of introductory sections needed to meet the degree requirements of students. As a result, the annual cost of introductory foreign language courses will be reduced.

**Metrics and data sources for further evaluation**  
The subcommittee recommends that the course-taking behavior of a sample of undergraduates who enroll in UC Davis introductory language courses such as Spanish (probably the most likely to be taken in high school) be examined along with their high school transcripts to estimate the proportion of introductory foreign language enrollments that are redundant with high school/community college courses.

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**Who might be consulted**  
HArCS Dean, Academic Senate, Academic Federation

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**Recommendation 5 – Restructuring the Chemistry 2 Series**

**Proposal**  
The subcommittee made an extensive examination of supplemental instruction and alternative approaches to instruction that might reduce this cost. One of the areas reviewed was the course taking patterns of undergraduate students who enrolled in Chemistry 2A (the first course of a three-course sequence in general chemistry) and subsequently elected not to continue in the Chemistry 2 series. These students typically have not received a grade of C- or better in the lecture portion of the course, and therefore cannot progress further in the series. After reviewing a small study that examined a cohort of undergraduates who received failing grades in the Chemistry 2A lecture portion as
well as five-year enrollment data in Chemistry 2A and 2B, the committee concluded that realigning the Chemistry 2A lab so that it was required after a student successfully completed the lecture portion, could significantly reduce the need for lab sections because students who failed the lecture portion would not be eligible to take it. Therefore, the subcommittee recommends that the Department of Chemistry review and restructure the general chemistry course series with an eye towards decoupling the lab/discussion from the lecture portion of the Chemistry 002A course and assign separate units to each of the two components. Students would take the lecture portion first and would need a passing grade of C- in order to take the lab. Students would not be able to take the lecture and lab/discussion courses concurrently.

Background
Chemistry 2A is currently comprised of a weekly 3-hour lecture, a 3-hour lab and 1-hour of discussion for a total of 5 units. The course requires a passing grade on the placement examination and a strong recommendation of completion of high school chemistry and physics. All students enrolled in Chemistry 2A are checked to see if they have passed the placement exam and those who have not are notified of the need for their withdrawal from the course.

Students who pass the lab portion of the course but not the lecture can re-take the lecture portion in subsequent quarters without having to re-take the lab; however, they must have a passing grade in the lecture before being able to progress further in the series.

Potential savings
The April 2009 cohort study indicated that potentially 72% of students receiving a D or F in Chemistry 2A (72 out of 100 students) went on to majors that did not require the course.

Using these results, an estimate could be made of the number of students taking, but not subsequently needing, Chemistry 2A on an annual basis. In academic year 2005-06, 2830 students took Chemistry 2A for the first time (repeats not included). A review of grades posted in the class in recent years indicates that about 14% of the students received D or F grades, or about 400 students in 2005-06. If 72% of these students did not subsequently require chemistry, this would total about 285 students, which represents about 12 unneeded lab sections (enrollments of 24) each year.

In a somewhat different analysis, ORMP looked at students who took Chemistry 2A and 2B during the five year period between 2004 and 2009. Of these students, 2,869 stopped taking chemistry after Chemistry 2A and 914 stopped taking chemistry after taking Chemistry 2B. This represents approximately 158 unneeded laboratory sections over the five years, or about 31 sections per year.

Potential salary savings per unneeded lab section could range from approximately $4,500 to $7,000 based on current teaching assistant salaries, fees, and tuition costs.

In addition to salary savings, there is a potential for other related savings associated with staff time to coordinate, clean and stock the labs and the cost of small pieces of lab equipment that have a multi-year “life.” The latter are not presently eligible under the Course Materials Fee policy, and thus remain an expense to the department’s operating budget.

Metrics and data sources for further evaluation
Data on enrollments, final course grades and movement in and out of majors would be required as the department reviews restructuring options. Some of this data may be held in the department records, the Division of Mathematical and Physical Science Dean’s Office, as well as through the Student Information System (SIS) Decision Support program. Specific requests for other types of information may need to go through Vice Provost Turner’s office.

Who might be consulted
Department of Chemistry, Dean of the Division of Mathematical and Physical Science, Academic Senate
II. RESEARCH

Recommendation 6 – Organized Research Units (ORUs)

Proposal
The guidelines for lifespan and review of ORUs as described in the APM should be adhered to. ORUs that are beyond the nominal 15 year lifespan should be reviewed as soon as possible with priority given to those that (a) receive the greatest support from OVCR and (b) have not been reviewed recently.

Each ORU should develop and have an approved strategic plan and operating procedures at the time of establishment; or, if they are already in existence, a strategic plan should be developed prior to future funding. The strategic plan should clearly articulate specific objectives of the ORU in terms of facilitating research “that crosses boundaries among disciplines, departments and schools or colleges” as stated by APM 220-01 and the appropriateness of that research to the campus mission. Operating procedures should outline administrative structures that will enable the ORU to achieve those objectives.

Each ORU should include, as part of its strategic plan, a multi-tiered model of financial support that assumes central campus funding for administrative structures (stipend, staff support, equipment/facilities) as a component of the funding package for years 1 through 5 and means by which external funds will be generated by stakeholders each year after year 5 that will significantly offset central campus funding.

ORUs should be evaluated by the Vice Chancellor for Research and the Committee on Research in year six to ensure that the amount of central campus funds invested in the ORU remains appropriate. At this time several criteria should be considered, including: (a) the ORUs demonstrated success in meeting the goals stated in APM 220-01, (b) the ORUs ability to create new revenue streams from external stakeholders, and (c) a cost-benefit analysis that takes into account the level of investment relative to the impact of the ORU to the research mission of the campus.

All ORUs that have reached their fifteen-year life span should establish a rationale for continuance in terms of scholarly or scientific priorities, and they should “graduate” from ORU to a new category of “proven” centers or institutes. This rationale should take into account APM 220-01 and should demonstrate that the research conducted through the ORU is critical to the campus mission and could not be done through existing academic structures.

Guidelines should be put in place for the establishment of new ORUs including the administrative structure to be used for proposal review.

Background
An ORU is an academic unit that the University has established to provide a supportive infrastructure for interdisciplinary research complementary to the academic goals of departments of instruction and research but which could not be undertaken within the structures of existing campus research programs. As stated in APM 220-01, “The purpose of an ORU is to foster research that crosses boundaries among disciplines, departments and schools or colleges and that cannot readily be done within the administrative structure of a single department or other administrative unit.” ORUs are currently subject to formal reviews by ad hoc review committees every five years, and have a maximum existence of 15 years unless approved for extension by the Office of the President. At present there are 12 ORUs at UC Davis (see table on following page). The total budget for these ORUs from the Office of the Vice-Chancellor for Research (OVCR) as of March, 2009 was $3,756,844. This has been reduced to approximately $3.2 million in the most recent round of budget reductions to the OVCR. Further reductions are inevitable to meet the upcoming budget decreases.
Current Organized Research Units and the Year Established

<table>
<thead>
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<th>Name</th>
<th>Established</th>
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<tr>
<td>Air Quality Research Center</td>
<td>2005</td>
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<tr>
<td>Bodega Marine Lab</td>
<td>1966</td>
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<tr>
<td>Primate Center</td>
<td>1962</td>
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<tr>
<td>Cancer Center</td>
<td>2000</td>
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<tr>
<td>Center for Health Care Policy and Research</td>
<td>1994</td>
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<tr>
<td>Crocker Nuclear Laboratory</td>
<td>1964</td>
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<tr>
<td>Institute for Data Analysis and Visualization</td>
<td>1986</td>
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<tr>
<td>Institute for Governmental Affairs</td>
<td>1962</td>
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<tr>
<td>Institute of Transportation</td>
<td>1991</td>
</tr>
<tr>
<td>John Muir Institute of the Environment</td>
<td>1997</td>
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<tr>
<td>Nanomaterials in the Environment, Agriculture and Technology</td>
<td>1997</td>
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<tr>
<td>Program for International Nutrition</td>
<td>1994</td>
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</table>

ORUs vary in mission, administrative structure, and funding requirements. Some are close to self-supporting (e.g., Primate Center, Cancer Center), while others receive substantial support from the central campus (e.g., Air Quality Research, Bodega Marine Lab, IGA, JMIE). Six ORUs have been in existence for more than 15 years. Several have not been reviewed on a regular basis.

Currently, there are no systematically/consistently developed strategic plans from ORUs that would enable them to be evaluated on a regular basis for their unique contributions to the campus research mission. Nor are there mechanisms for ensuring that central campus support from the OVCR is regarded as seed funding and, over time, will be offset by significant appropriate stakeholder investment. It is currently difficult to establish new ORUs because central campus has no new revenue streams for new ORU “startups.” A mechanism is needed to ensure that (a) ORUs meet the stated goals in APM 220-01 and (b) ORUs develop multi-tiered systems of support that allow central campus funding to be discontinued or minimized (relative to total revenue generated) after the establishment phase, with some ORU’s transitioning into a new category of robust/established campus centers or institutes and others sunsetting. This is required in order to ensure that central campus resources are being used efficiently for the benefit of a broad cross-college campus constituency. It is also required if we are to provide funding for new ORUs in the future.
Potential savings
Once implemented, this proposal would create savings by reducing central campus support for ORUs. However, the subcommittee did not attempt to estimate these savings.

Metrics and data sources for further evaluation
Multi-year sources and uses of funds for all existing ORUs should be prepared.

Who might be consulted
Academic Senate, Deans, Vice Chancellor for Research, Associate Vice Chancellor for Budget Resource Management

Recommendation 7 – Research Centers

Proposal
In general, the subcommittee agrees with the recommendations of the recent ACCD report on funding for centers, including the need for formal guidelines for the periodic review of centers requesting central campus support. The challenges are going to be in the details of how to address the diversity of centers and provide realistic review mechanisms that are not unnecessarily burdensome.

The subcommittee recommends the following for all centers receiving central campus support:

- Each center should develop and have approved a strategic plan and operating procedures. The strategic plan should clearly define how they address the research, academic, and/or outreach missions of the campus.

- Guidelines should be developed for the review of centers that take into account their financial, research, academic, and/or outreach impacts on campus. The operating procedures of each center should take the review criteria into consideration. Continued support of a center should be performance-based. Centers that can document strong justifications for their continued existence should receive sustained support from their multiple stakeholders.

- Centers should be established and reviewed on a rolling five-year timetable; i.e., centers should be established for an initial five period and reviewed after three for renewal for a further five year period or a wind-down over two years. The initial expectation would be that centers would exist for a maximum of 11 years, after review in years 3, 6, and 9 but could be curtailed earlier after 5 or 8 years. Existing centers that are more than three years old and have not been reviewed within the last three years should be reviewed as soon as administratively feasible. The maximum lifetime of highly successful centers and those considered critical to the research and educational missions of the University could be extended beyond the nominal 11 years with continued rolling five-year reviews and appropriate justification.

- A component of the strategic plan for each center should be a realistic proposal for securing sustainable sources of support. The expectation should be that a phased reduction in support from central campus will begin following the third year with the majority or all support from central campus ending two years later in most cases. This is assuming that the center is meeting its approved goals as stated in its strategic plan. However, it is acknowledged that the phasing out of all central campus support may not be appropriate for all centers and that sustained, long-term support from central campus may be necessary in exceptional cases, justified by documented critical contributions to one or more components of the campus’ mission.
Background
Centers are loosely-defined categories of very diverse entities that serve a variety of campus research, teaching and outreach missions. Some are little more than virtual centers that provide visibility for groups of faculty with common interests, and they require and receive minimal support. Others are large physical entities with infrastructure and budgets larger than some departments. There are about 30 centers of one type or another on campus. It is difficult to determine how much total support centers receive from the Office of the President (DANR), central campus, individual schools or colleges, and/or departments. Centers receive approximately $12.3 M of State General Fund support. Some centers are self-supporting; others will never be so. Recommendations addressing centers need to take this diversity into account.

There are few regulations or guidelines governing centers. They are not mentioned in the APM. This is both an advantage and a disadvantage. On the plus side, it allows for rapid establishment of centers with minimal administrative burden and flexible responses to campus needs. On the negative side, there are no mechanisms for determining appropriate funding levels or ensuring the disbanding of centers that no longer serve a campus mission and are therefore no longer appropriate. Centers share these latter characteristics with ORUs. Major differences between ORUs and centers seem to be source of support (i.e., OCVR vs. Provost, Dean or Chair) as well as the formal requirements for establishment and review of the former being described in the APM compared to the lack of guidelines for the latter.

In March, 2009, a subcommittee of the ACCD submitted a report to the Provost with recommendations for establishing and reviewing campus centers. This report focused on the funding for centers requesting central campus support. It proposed a three to six year time limit for campus support, synchronous review of centers, and review criteria that included the amount of revenue directly and indirectly generated by the Center as well as the contribution of the center to the research and academic missions of the campus.

Potential savings
Once implemented, this proposal would create savings by reducing central campus support for centers. However, the subcommittee did not attempt to estimate these savings.

Metrics and data sources for further evaluation
Multi-year sources and uses of funds for all existing centers should be prepared.

Who might be consulted
Deans, Vice Chancellor for Research, Associate Vice Chancellor for Budget Resource Management

Recommendation 8 – Grants with Limited Indirect Cost Rates

Proposal
The subcommittee extensively discussed issues related to indirect cost rates (ICR) for various types of grants and the ICR limits/caps placed on certain grants. In effect, ICR caps force the campus to absorb infrastructure costs for grants that generate less than the negotiated federal F&A rate. State agencies and the US Department of Agriculture are examples of agencies that cap indirect cost recovery well below the current federally approved F&A rate of 54% (i.e., state grants range up to ~ 25% depending on the agency, and USDA grants under Cooperative State Research, Education and Extension Service are capped at 28%). When grants from these agencies are used to support laboratory research, the campus is forced to absorb the difference. In its review, the subcommittee also noted that the ICR for US Department of Education grants is capped at 8%; however, because the nature of the research is educational/training as opposed to laboratory-based, the lower ICR does not seem to be inappropriate. For these reasons, the subcommittee recommends that the campus actively explore and identify ways to reduce the burden of insufficient ICR-generating grants, including the following:
• supporting current Office of Research and UCOP efforts to address the burden that capped ICR grants place on campuses; and

• exploring the possibility of developing incentives in the future to pursue grants from agencies that do not cap ICR including the possibility of placing constraints on cost sharing for future grants (e.g., deans could be allotted a specific amount of cost-sharing in their unit, above which they would have to “fill the gap” or the campus could restrict the amount of cost-sharing for each grant submitted).

Potential savings
This proposal recognizes the burden that grants using a lower than the federally negotiated ICR impose on the campus. Because of the size and complexity of this problem it is impossible to project how the current gap between actual indirect costs incurred and reimbursements received from grants will be closed.

Metrics and data sources for further evaluation
The subcommittee suggests that Accounting and Financial Services make an estimate of the gap between ICR received for all grant spending by type for the last several years to determine the magnitude of this problem.

Who might be consulted
Academic Senate, Academic Federation, Deans, Office of Research

III. FACULTY SALARIES

Recommendation 9 – Ladder Faculty Salaries Paid for Summer Instruction

Proposal
In 2002-03 the campus received state funds for summer session as part of a system-wide legislative budget plan to increase the use of campus facilities. At that time, campuses were encouraged to increase their summer enrollments, expand their summer course offerings, and have more ladder faculty teach summer courses. In effect, the plan was to make summer instruction much more like a “regular” quarter. Over the six summers since Davis received state support for summer, the number of ladder faculty instructors has grown but still remains relatively small (168 instructors which represents about 28% of all summer instructors who taught in summer 2008). Now that the campus is faced with a major budget crisis, the subcommittee believes that summer instruction should be re-examined and a cap should be placed on faculty compensation for this instruction. Presently, faculty pay for summer courses is based on the academic year salary of the faculty member and the number of units being taught – i.e., 2.75% of their nine month academic salary per course unit (up to a maximum of 3 courses per summer). We note that the salary for emeriti faculty who are recalled to teach during the academic year is currently capped at $10,100 per course [http://www.ucop.edu/acadadv/acadpers/tab0708/table9.pdf]. This cap is increased periodically as cost of living adjustments are made. In view of the current fiscal situation and the fact that summer courses often have smaller enrollments than do academic year offerings (and thus are less work for the faculty member), we recommend that summer course compensation for all faculty continue to be calculated using the current formula, but should not exceed the cap established for recalled emeriti faculty (currently $10,100).

Potential savings
While the subcommittee has not examined the summer salary issue in detail, the Associate Vice Provost for Undergraduate Studies, Gary Ford, told the subcommittee if the cap of $10,100 had been in place during the summer of 2008 and the same courses were taught, the campus would have saved $258,000.
Recommendation 10 – New Endowed Chairs

Proposal
For all new fully-funded Endowed Chairs, Professorships, and endowments held by other individuals that are fully funded (currently, at least 1 million for an endowed chair and $500,000 for an endowed professorship), the subcommittee proposes that a minimum of $25,000 or 50% of the payout (whichever is larger) would go to the chair holder to be used at his/her discretion as long as the use is consistent with the donor document. The remaining payout will be equally divided with half going toward the chair holder’s salary and half going to the administering units (e.g., department, college, development office). As examples, for a 1 million dollar endowment with a payout of approximately $45,000, $25,000 would go to the chair holder, $10,000 toward the chair holder’s salary, and $10,000 distributed to the various administering units. For a 2 million dollar endowment with a payout of approximately $90,000, the chair holder would receive $45,000 to be used at their discretion, $22,500 would be used for the chair holder’s salary, and $22,500 would go to the administering units. The intent is for at least 50% of the salary recovery to return to the campus central salary pool, with the remaining funds directed to the administering units in proportion to their costs of administering the endowment. [This policy would not apply to those in the Health System because in most cases, the payout is currently used for faculty salary or department programmatic items].

Finally, the subcommittee recommends the proposed endowed chair policy include a financial mechanism to deal with low-interest rate periods like the present so that payouts are stabilized and high yield years can be used to offset the decrease in payout in low yield years.

Background
Endowed Chairs are designed for distinguished, high performing scholars. They serve to recognize outstanding faculty and provide an important source of funding for the research being done by the chair holder. It is essential that holders of endowed chairs, endowed professorships or other endowments meet the objectives of their endowment; however we recognize that endowments pose real costs to the university. Because the salaries for endowed chair holders are generally higher than the state-funded salary scales, the difference is made up by campus funds that could be used to meet other campus needs. Many AAU universities currently use the payout from endowed chairs to pay a portion of faculty salaries (as does the UC Davis School of Medicine). For example, UC Berkley provides a maximum of $25,000 to the chair holder for their discretionary use, with 1/3 of the remainder going to the department for graduate student support, and 2/3 of the remainder going to central campus for faculty salary support. However, policies concerning use and distribution of endowments differ widely among Universities, campuses in the UC system, and even between colleges at UC Davis. In view of the increasing costs of faculty salaries and the current budget crises, the following proposal is offered for consideration.

Potential savings
The subcommittee did not attempt to model its proposal using existing endowment payout data; however, it is clear that general fund support for positions held by endowed chairs would be freed up, thus creating general fund savings if this proposal is adopted.

Metrics and data sources for further evaluation
This proposal could be modeled with the payout data from recent campus endowments.
Who might be consulted
Academic Senate, Office of Academic Personnel, Deans

Note: After the final meeting of the subcommittee, one member who was not able to attend the last meeting proposed two significant modifications to this proposal: the first suggested change would have tied the minimum amount allocated to the chair holder to a support level for one graduate student, the second would have specified the use of endowment income used to support the chair holder’s salary to the off-scale amount. Because the subcommittee did not have an opportunity to review and discuss this proposal, the subcommittee is recommending adoption of the last version of this proposal reviewed by the subcommittee as described above.

IV. NEW SOURCES OF REVENUE

Recommendation 11 – Assessment on Gifts for Research

Background
Research gifts are an important source of research support and of enormous value to the University. Reports and formal expectations are not permitted with research gifts; this promotes the exploration of new areas of research and the generation of data that can lead to significant funding, often in new areas. A decrease in gift funding would therefore decrease academic flexibility and the opportunity for exploring novel research areas.

There are, however, costs associated with obtaining and administering research gifts. It is, therefore, important to determine the appropriate assessment on these gifts and the best way to distribute these assessments to the units where the costs are incurred.

Presently, a 6% levy is assessed on all gifts. This is distributed 2% to the Central Development Office and 4% to deans for their development efforts. None of these funds are distributed to departments, which incur many of the costs associated with administering gifts once received.

STIP income from private gifts (interest on gift accounts) currently is distributed 75% to the Campus Advancement Finance Pool and 25% to the Dean, Vice Provost, or Vice Chancellor. No STIP funds are distributed to the departments.

There is not currently a standard practice for assessing gifts across UC campuses, although assessment of gifts is being considered by many of them. UC Berkeley levies 10.5% on research gifts and has the most developed and detailed mechanism in place.

The Bill and Melinda Gates Foundation, a major source of awards, has a 10% cap on administrative assessments for their awards. This appears to be a reasonable cap on assessments on gifts that should be justifiable and acceptable to both donors and faculty.

Guiding principles
It is important that the assessed funds should be distributed approximately in proportion to the costs incurred in obtaining and administering gifts. However, burdensome oversight or paperwork should be avoided.

In determining an appropriate level of assessment, caution must be exercised to avoid unintended consequences. An administrative assessment on gifts of similar magnitude to the indirect cost rate for Federal grants will likely result in significant decreases in funding and academic flexibility as well as an increase in paperwork for the following reasons:
• Securing gifts from donors is a lengthy and delicate process. Cultivating a donor can take many years, and, to some extent, their wishes must be accommodated. Donors frequently consider multiple institutions before donating. If we impose a large levy on gifts, the donors will simply go elsewhere.

• Donors making gifts want (nearly) all of their money to go to research. If there is only a small difference between the assessments on gifts and research contracts, company donors will opt for the latter. Companies prefer to have the defined objectives, regular reports, and often an intellectual property position, attendant on a research contract. However, this results in a decrease in academic flexibility. In addition, the generation of research contracts involves lengthy, time-consuming paperwork, involving additional costs as well as leaving less funding available for research.

Proposal
The subcommittee proposes a 10% assessment on gifts with the provisions listed below.

• The total assessment will be split 50:50 between the central campus and the administering units. The central campus includes the Development Office. The administering unit includes the Dean’s Office and the department or center that incurs the costs of administering the gift. Therefore significant funds will accrue to departments and centers.

• This assessment replaces the current 6% campus advancement fee.

• The STIP income generated by gifts for research would be distributed in the same proportions as the initial assessment.

The figure below illustrates the distribution of the assessment.

Potential additional revenue
The net new revenue to the campus under this proposal will directly vary with the amount of gifts for research received. Assuming gifts for research are $16 million annually (estimated for 2007-08), the 10% gift for research assessment would generate $1.6 million. However, this assessment is in lieu of the current 6% fee charged for all gifts. In this example, the foregone gift fee equals $960,000. Thus, the net increase in funds under this proposal to the campus is approximately $640,000.

Metrics and data sources for further evaluation
Additional information on the recent history of campus spending from gifts for research would be useful in refining the estimate of net new resources from this proposal.

Who might be consulted
Academic Senate, Academic Federation, Deans and Vice Chancellors
Appendix 1

Guiding Principles
Budget Advisory Subcommittee 1 – Instruction and Research

UC Davis is accountable to the people and to the State of California. It is our collective responsibility to provide high-quality undergraduate teaching, graduate and professional training, and public service within a research university.

Within this context, the subcommittee used the following principles to guide its work:

1. Reduce budgets strategically in a manner that will maintain our focus on the campus’s academic missions, our highest priority.

2. Ensure the access of Californians to higher education while building and extending the excellence of our educational and research programs.

3. Ensure instructional programs support timely progress to degree for our students. Increase student access through alternative approaches to the extent possible (for example, distance education, expanded summer programs).

4. Balance budget reductions in a way that recognizes the fundamental contributions of both faculty and staff to the academic mission.

5. At all levels of the university, communicate openly, honestly, and frequently about the budget process and the reductions. And, consult broadly about reductions to determine the best routes we can take.

6. Seek new resources.

7. Streamline administrative and instructional processes and procedures to help reduce expenditures and mitigate staff workload.
## Membership
### Budget Advisory Subcommittee 1 – Instruction and Research

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<tr>
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### SUBCOMMITTEE STAFF

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CHANCELLORS

Gentlemen:

The following supersedes Vice President McCorkle's memoranda of June 9, 1971 and January 5, 1972 concerning the University's Policy on Minimum Class Size.

Minimum class enrollment norms are to be continued at each level of instruction, and exceptions to these norms are to be authorized only where the special justification clearly warrants the exception. Consultation with appropriate agencies of the Divisional Academic Senate on each campus in implementing the policy is essential.

The minimum enrollment norms are set at: Lower Division (12), Upper Division (8), and Graduate Division (4). In the event that enrollment in a class falls below this specified norm in two successive offerings the class should be conducted again with an enrollment below the norm only with your approval or the approval of your designee(s). Less frequent offering of the class may eliminate the need for such special consideration, and this alternative should be kept in mind. You will recall my memorandum of November 9, 1970 in which I did express the view that there must be an opportunity for every freshman to participate during at least one quarter of the academic year in a small group class directly taught by a faculty member in one of the professorial ranks. This is to be viewed, of course, as one part of our continuing efforts to improve the quality of undergraduate teaching and to provide additional attention to students in the lower division. A class in which enrollment falls below the norm established above may be continued where necessary to achieve this purpose.

Additional criteria which might justify conducting a class below minimum size are suggested below. Department chairmen may of course cite other evidence for special justification which in your discretion you may take into account.

1. The course is required for graduation, and if the class were cancelled the date of graduation of students who wish to enroll in the course would be affected.

2. The course is required in a major program, and the class must be offered at a particular time in order to maintain proper sequence of courses.

3. The course (and/or the program of which it is a part) has been offered for only a short time, and has not yet developed to its full potential.
4. The course is of an experimental character, either in its subject matter or in its mode of teaching, or both, and time is needed to assess its potentialities.

5. The need for special facilities (laboratory, studio, etc.) limits the size of the class.

6. The need for close personal supervision of the students by the instructor limits the size of the class (e.g., certain types of fine arts instruction, clinical teaching, etc.).

7. The course is an offering in a subject field which does not attract a large student clientele, but which nevertheless should be included among the instructional offerings of a major university because of its importance to scholarship.

The following notes on implementation of the policy are included for clarification:

a. The policy does not apply to independent study, research, or thesis work.

b. The policy is to apply to primary section enrollments of each course and to the average enrollment of each type of subsection (laboratory, quiz, discussion).

c. Advance approval should be obtained before offering for the third time a course which has fallen below the prescribed norm in the past two successive offerings.

d. If such a course on being offered for the third time fails to attain the minimum enrollment size after the second day of enrollment, it should not be offered during that term, and not be scheduled again until there is convincing evidence that it will meet the prescribed norm.

e. Courses for which permanent exemption from the minimum sizes can be adequately justified under criteria 5, 6, and 7 above should be reported to your office and in turn to the Vice President—Planning with the stated justification in each case.

f. The term "two successive offerings" should not be interpreted merely to mean offerings in consecutive quarters of an academic year. Offerings in non-consecutive quarters or in consecutive academic years are also subject to the policy.
The Data System for Instructional Resources in the Office of the Vice President—Planning will attempt to provide campuses with a "course profile" which will indicate the dates each course is offered and will enable reports to be made of courses and classes which fall below the norms in two successive offerings. It will also provide the needed information on exemptions approved under the policy and on the reasons for each exemption.

We shall continue to review the general policy on minimum class size from time to time; I hope you will call to my attention any problems that may arise in connection with it. I am convinced, however, that in the interest of allocating resources in ways that will optimize the educational quality of the University we must continue to give attention to this problem. I ask your cooperation.

Yours sincerely,

Charles J. Hitch

cc: Members of the Academic Council
    Vice President McCorkle
    Vice President Johnson
    Vice President Kidner
    Vice President McGuire
    Vice President Taylor