

Committee on Academic Planning and Resource Allocation (CAPRA)
Minutes of Meeting
March 29, 2021

Pursuant to call, the Committee on Academic Planning and Resource Allocation met at 1:30 pm on March 29, 2021, via Zoom. Chair Patricia LiWang presiding.

I. Consultation with EVC/Provost Camfield and APAPB & Interim CFO Schnier

A. Updates on Alpha Financials

APAPB Schnier reported that he is meeting with consultants from the Deloitte firm twice a week. Consultants are assisting with tracking ticket counts in procurements, financial services, and grant accounting to analyze how quickly transactions are being completed. In addition, the consultants are working on improving the hand offs between departments to ensure accountability. APAPB Schnier is expanding the training of the CBS2 staff. He has also identified three CBS2 staff members who are serving as the main contacts for the three Schools to help resolve issues. APAPB Schnier acknowledged that processing honorariums are one of the biggest challenges and he reported progress in that respect. He emphasized that the Oracle/Alpha Financials is a business system, not an academic system, so he is working to ensure that the system fulfills the needs of the campus academic mission. EVC/Provost Camfield pointed out that other campuses that have implemented Alpha Financials experienced the same glitches UCM is facing.

A CAPRA member stated that one of the selling points of Alpha Financials is that faculty would receive real time balances of their grants but this has not occurred. Some of his grants are expiring and it is critical that he know his exact balance so he can plan future projects and hiring. APAPB Schnier responded that the system does have the capability to produce this information, but the staff is not yet trained to access it in a format that faculty need. He asked the CAPRA member to have his research administrator contact CBS2. Another CAPRA member reported that she placed an order that did not get assigned to a staff member for weeks; she also did not receive responses to her requests for updates. APAPB Schnier asked her to email him with the purchasing request and he will resolve the issue. A CAPRA member informed APAPB Schnier that her colleague at another UC campus is trying to transfer money from a grant to UC Merced but the Chart of Accounts string from UCOP is incorrect. APAPB Schnier asked the CAPRA member to contact him directly. He added that he is working with Deloitte to create auto population of forms and drop-down menus so that faculty do not have to enter a long string of numbers for each transaction.

B. Evaluation of future proposals for Schools and ORUs

At the last CAPRA meeting, EVC/Provost Camfield told the committee that they should evaluate future proposals for new programs, Schools, and ORUs on their merits and whether the proposals advance the campus academic mission. The administration will then determine whether the proposed program, School, or ORU can be funded. CAPRA suggested they evaluate future proposals using a ranking system similar to that of the NSF while recognizing that different categories of entities (ORUs versus new academic programs) will require different evaluation criteria. EVC/Provost Camfield requested that CAPRA formulate such a system. He will be sending the Senate a memo about the pending proposal to establish the UCM Community and Labor Center ORU.

Action: At the next meeting, CAPRA will formulate a ranking system for the evaluation of future proposals for new programs, Schools, and ORUs.

EVC/Provost Camfield informed CAPRA members that he asked Interim VCORED Zatz to research how other UC campuses fund new ORUs. After the data is gathered, the UC Merced administration will determine a model that works for our campus. He reminded CAPRA members that ORUs are a multi-year funding commitment. The funding model will depend on where future ORUs are located – at some campuses, they are housed within the VCR’s office and some are housed within Schools.

II. Chair’s Report – *Patti LiWang*

A. March 29 Divisional Council meeting

Each Congressional representative was given a small amount of money earmarked for local projects and Congressman Jim Costa’s office has issued a call for proposals. EVC/Provost Camfield stated that faculty may receive requests from their deans to articulate what projects they would like funded. Faculty are encouraged to respond quickly.

B. Strategic Planning Governance Committee meeting.

Chair LiWang and CAPRA member Kurtz serve on this committee. At the last meeting, the committee suggested that equity, diversity, and inclusion is the main priority for strategic planning. Chair LiWang is concerned that research is being de-prioritized. She raised this concern at the meeting but her feedback was not well received. However, she did acknowledge that research considerations do appear in the strategic planning document several times. The strategic plan is supposed to be sent to the Senate for review shortly.

III. Consent Calendar

A. Today’s agenda

B. Draft March 8 meeting minutes

Action: the Consent Calendar was approved as presented.

IV. Senate Vice Chair Report – *LeRoy Westerling*

A. Updates from the Chancellor and EVC/Provost

Senate Vice Chair Westerling reported to the administration that the campus has a serious problem with shared governance. There is also confusion about what constitutes consultation. One of the many recent examples is the proposed implementation of MAPP 500 regarding the recruitment and review of research staff which has been placed on hold after faculty expressed consternation.

V. Systemwide Review Item – *LeRoy Westerling*

A. Presidential Policy on Classification of Gifts and Sponsored Awards

This policy is intended to replace the UC Policy on Review of Gifts and Grants for Research. The UC has seen a significant increase in external support in the recent decade – especially from private foundations (including family foundations) and corporations. Though key concepts remain the same, the proposed policy provides greater clarity for properly classifying private support in contemporary circumstances.

CAPRA discussed the lead reviewer's comments. The lead reviewer stated that the language in the policy is straightforward language and that it is essentially codifying everything already in practice.

Action: The committee analyst will distribute a draft memo to CAPRA members for review and approval. CAPRA's comments are due to the Senate Chair by 5:00 pm on Monday, April 12.

VI. Executive Session – voting members only

No minutes were recorded

VII. Consultation with APAPB Schnier

APAPB Schnier provided CAPRA a budget presentation. The total operating budget of the campus is approximately \$398 million. The campus's current revenue model relies extensively on two main drivers: state funding and student enrollment. Core funds are \$282 million of the budget (71%), contracts and grants are \$35 million (9%), Auxiliaries are \$68 million (17%), gifts and endowment is \$3 million (less than 1%), and other areas constitute \$10 million of the budget (3%). The campus's core revenues come from two primary sources: state appropriations and tuition revenues. State appropriations constitute \$154 million of the revenues (55%), tuition revenues are \$112 million (40%) (excluding non-resident tuition), indirect cost are \$7 million (2%), non-resident tuition: is \$4 million (1%), and other areas constitute \$6 million (2%).

- The campus's three largest revenues sources all boil down to one driver: enrollment.
- They constitute about 84% of all UC Merced revenue sources

- They are:
 - State appropriations (\$154 million)
 - Allocated via a “rebenching” process
 - Tuition (\$112 million)
 - Auxiliaries (\$68 million)
- Each campus retains the revenues that that it generates from the following:
 - Tuition, private gifts, auxiliaries, research grants, medical centers, UC Extension

APAPB Schnier explained rebenching further:

- Established in 2011
- The driver of rebenching is enrollment
- Principle: The state subsidy per a student (resident student) should not depend on the campus it attends.
- Rebenching assigns weights to different types of enrollment based on the assumption of higher instructional costs for some groups:
 - Undergraduate students – 1.0
 - Graduate PhD students – 2.5
 - Health sciences graduate students – 5.0
 - Other graduate students - 1.0
- UC Merced and UCSF are funded through separate “corridors” to recognize their unique situation.
 - This will not be indefinite for UC Merced

UC Merced’s debt structure is very different from other campuses so we cannot support our students the way other UC campuses can. APAPB Schnier stated that he meets with EVC/Provost Camfield regularly to discuss the campus debt. The debt structure is unique because it is carried by a private party; their rules are different than other sources and the campus has to work within their parameters. UC Merced is looking into restructuring the campus debt. The 2020 Project is the largest piece of our debt structure which is funded by the private party. UCOP is helping UC Merced determine how to work with the private party’s rules.

Tuition revenues:

- Fundamental driver of tuition revenues: enrollment
- Current resident tuition is \$11,442 (with fees it is \$13,538)
- Non-resident tuition is an additional \$29,754
- 33% of ALL undergraduate tuition is provided as “return to aid” (RTA) for Financial Aid
 - Graduate student RTA is 50%
 - Provides the base funding for graduate groups
 - The net tuition revenues to the campus must account for RTA reductions
- Tuition dollars are predominately used to support the following on campus:
 - Temporary academic support (TAS) (~28% of tuition is spent on TAS for FY20)

- Faculty start-ups
- Student support
- Owner cost payments

Auxiliary revenues:

- The two primary sources of auxiliary revenue are housing and dining, both are driven by the same factor: enrollment
 - Approximately 94% of total auxiliary revenues
- Other sources (about 6%): transportation, bookstore, ECEC
 - Housing costs – about \$13,000 – about \$14,000/year per student (varies by type)
 - Dining costs – about \$4,400/year per student on campus
- Important factor to note: about 80% of the funds for our 2020 debt are scheduled to come from our net auxiliary revenues, when less than 50% of the buildings are associated with auxiliaries – balance are for teaching and research

Indirect cost return:

- Current indirect cost rate for the campus is 55%
- Effective indirect cost rate has ranged between 21% and around 24% (recent years)
 - Variation depends on the mix of grants received each year
- The indirect cost rate does not support the costs of each grant dollar received
- Most recent estimates indicate that it costs the campus approximately \$0.90 to support every \$1 of grant/contract money received
 - Note: As our grants \$'s/faculty increase this will fall as well (returns to scale)
- With an effective IDC rate between 21% and 24% this implies:
 - For every grant dollar received the campus must provide between \$0.66 and \$0.69 in campus funds to support the grant.
- What is the funding source (simple answer is: enrollment):
 - State appropriations
 - Tuition
- Key point:
 - Campus must have sufficient enrollment to support our R1 goal.

Campus Expenditures (Excluding Financial Aid):

- Debt Service: \$45 million (12%) (Increases to about \$65 million starting FY21)
- Academic Affairs: \$163 million (44%)
- Finance, Administration & Auxiliaries: \$55 million (15%)
- Student Affairs: \$39 million (11%)
- Facilities and Operations: \$36 million (10%)
- Research Services: \$22 million (6%)
- External Relations: \$8 million (2%)

- Chancellor's Organization: \$6 million (2%)

APAPB Schnier then shared the expenditures within the Schools.

Current Financial Projections for FY21:

- Non-Auxiliary:
 - Expected Revenues: \$300.56M
 - Expected Expenditures: \$305.47M
 - Debt: \$42.70M
 - Net: (\$47.60M)
- Auxiliaries:
 - Expected Revenues: \$7.86M
 - Expected Expenditures: \$18.19M
 - Debt: \$51.50M
 - Net: (\$61.83M)
- Total:
 - (\$109.43M)
 - (Note: Stimulus support will lower this deficit)

Current Financial Projections for FY22:

- Non-Auxiliary:
 - Expected Revenues: \$301.11M
 - Expected Expenditures: \$315.57M
 - Debt: \$23.44M
 - Net: (\$37.90M)
- Auxiliaries:
 - Expected Revenues: \$55.81M
 - Expected Expenditures: \$33.57M
 - Debt: \$40.91M
 - Net: (\$18.67M)
- Total:
 - (\$56.57M)

APAPB Schnier stated that the campus is losing about \$15 million on auxiliaries this year. There will be a deficit in auxiliaries next year, too, due to reduced density.

There being no further business, the meeting was adjourned at 3:00 pm.

Attest: Patti LiWang, CAPRA chair