A&S Faces PBB Budget Challenges

- A&S incurred a PBB debt (cumulative shortfall) of $8M immediately following semester conversion.
- Primary drivers of A&S PBB debt and subsequent slow repayment are:
  - Changes to requirements in other colleges at semester conversion
  - Lack of oversight of Gen Ed that allows other colleges to "silo" their students by teaching their own courses that duplicate or subvert A&S offerings, e.g., in historical topics, social and ethical issues, statistics, and more.
- A&S has received $16.8M in PBB "bridge funding" (i.e., unrealized cuts) to support our operating costs.
- A&S has received Provost's matching funds for our PBB debt payback.
- A&S permanent budget has been cumulatively increased by 9.2% since FY13.
- However, direct and indirect costs assigned to A&S have increased substantially. We have identified as much as $5M of annual expenses assigned to the College that were previously budgeted centrally, not least of which being salary increases. So A&S's discretionary operating budget has been effectively reduced even while base real net revenue has increased 146%. (Table 1)
- Revenue goals under PBB are determined by baseline SCHs from over a decade ago and prior to semester conversion. The A&S PBB debt was created by failing to meet those revenue goals, a.k.a., threshold.
  - PBB debt could not have been avoided by A&S under the current model. Decisions by the UC central administration at the time ensured the shortfall, e.g., not regulating other colleges' capture of GedEd BOKs, not managing the conversion from 180 quarter SCH to 120 semester SCH, setting the transfer rate formula, ignoring PBB structural incentivization of college silo-ing. These are, literally, textbook failures in implementation of PBB (See "Kafka Was an Optimist," in *Shakespeare, Einstein, and the Bottom Line*, (Harvard: 2003).
  - Additional central budget changes outside of PBB have slowed A&S's ability to repay the PBB debt. A&S heads have identified over $4M of lost revenue due to short term changes centrally implemented in FY19 alone. Two of these are the implementation of "Tough on the Bottom" admissions and the lifting of a block on A&S students taking courses at UC Clermont, especially online courses.
- A&S has never earned PBB-based unrestricted splittable revenue. In these terms, then, we are told that A&S does not contribute to UC general funding, "not even a penny." But that is misleading: A&S has contributed over $190M in real dollars (i.e., base net revenue) to the general operating funds of the university during that time period (Table 1).
  - In contrast, our current PBB operating deficit is only about $1.4M per year.
- During this same period, several colleges at UC that have real net losses in some or all years continue to see increases in their operating budgets through via "splittable revenue" while A&S does not; and likewise for colleges with smaller net revenue margins (in real dollars and as a percent of expenses) than A&S (Table 1).