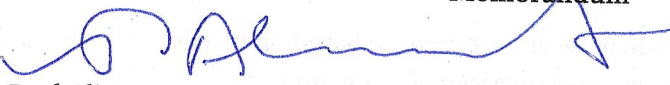




Memorandum


From: Paul Alivisatos, Executive Vice Chancellor for Academic Affairs and Provost
To: Ron Cohen, Professor of Chemistry and of Earth and Planetary Sciences
Marc Fisher, Vice Chancellor, Administration
Jenna Johnson-Hanks, Chair, Committee on Academic Planning and Resource Allocation,
Academic Senate
Randy Katz, Vice Chancellor for Research
Cathy Koshland, Vice Chancellor for Undergraduate Education
Jeff MacKie-Mason, University Librarian
Terence Phuong, Chief Financial Officer, Information Services & Technology

Date: October 4, 2018

Re: Charge to Finance Reform Common Goods Funding Working Group

Thank you for agreeing to serve on the Finance Reform Common Goods Funding Working Group, which will develop a proposal for a metrics-informed model to allocate resources to units delivering common goods and administrative services. Through this memorandum I am writing to communicate the specific charge to the working group and other important information about the process you are about to undertake.

Working Group Charge

Below are a set of assumptions and key questions to guide your work. As the process moves forward, please keep in mind the overarching principles that have been established for the Finance Reform Initiative since the beginning: Your proposal should ultimately yield a campus budget model that is improved in terms of its simplicity, predictability, transparency, and alignment of funding to workload, cost, productivity and goals. The proposal should also be developed with an eye toward achieving the outcomes identified by other groups on campus that have worked on finance reform issues (e.g., Financial Strategies Working Group, Incentives Working Group, Working Group on Public and Common Goods).

Assumptions:

1. UC Berkeley will move, in part, to a metrics-informed model for allocating resources to units delivering common goods, including administrative services.

2. The model will utilize an indirect charge approach to cover the costs of services, rather than the direct charge approach often used in RCM models.
3. Assessments to units consuming services will be allocated based on common metrics related to scale (e.g., revenues, expenses, student credit hours, student headcount, total employees).
4. Allocations to units providing services may, as appropriate, be based on metrics relevant to the services provided (e.g., facilities services based on assignable square feet).
5. To facilitate transparency and simplicity in execution, the model should deploy a limited number of formulas and metrics to allocate costs/resources. They should utilize readily available data.
6. Campus support (including the share of resources the center receives from revenue sharing agreements) will be the source of funding allocated through the model, taking into consideration other sources of revenue that the divisions providing administrative/common goods services possess to fund their operations. (Campus support allocated to the administrative and VC Research units in FY 2017 was \$636M.)
7. The focus of the proposal will be on the method through which funding for common goods services are provided and not on determining the appropriate level or quality of services provided by the units delivering them.

Key Questions:

1. What are the units delivering administrative/common goods services, on behalf of which a charge will be assessed to consuming units? And what are the consuming units?
2. Should there be a single assessment to consuming units for all common goods/administrative services or multiple charges based on the nature of the service provided?
3. What is the basis (or bases) for allocating costs among consuming units? Common examples include revenues, expenses, student credit hours, student majors, assignable square feet, and number of employees. Once selected, how will the base be defined?
4. Similarly, if, in order to maintain quality, allocations for particular services are to be indexed to specific indicators of workload (e.g., library to number of students and faculty on campus), what are the services to be covered and indicators to be used?
5. To what extent should charges currently assessed through revenue sharing agreements be maintained versus folded into a broader campus-wide model for common goods funding? (Question to be addressed in concert with Revenue Sharing Working Group.)

6. In order to preserve the quality of services, what should be the balance between base versus model-determined allocations? Should resources increasingly be allocated through the model over time? If so, what's the plan for doing so?

Proposal

The proposal you develop should be consistent with the assumptions and responsive to the questions identified above. With respect to the model itself, the proposal should be clear in terms of a description/rationale, methodologies, definitions (e.g., metrics, weights, calculations, reporting periods), and impact on affected units. Measures recommended to preserve the quality of programs and services (e.g., phased implementation plans) should be discussed, as well.

Workflow and Timeline

To stay on track with the Finance Reform Work Plan, review of your proposal by campus leadership and the broader university community will take place in the spring 2019 semester. The proposal should therefore be completed by February 1. To that end, you must proceed expeditiously for the remainder of the fall semester and the early part of the spring semester. Your working group should plan to meet every other week, though the chair will have the discretion to adjust the schedule based on the flow of work. On a monthly basis, the chairs of all three working groups will meet with me to provide an update on your progress and discuss any issues that may arise during the course of your work. I have asked Marc Fisher, Vice Chancellor of Administration, to serve as chair of the Common Goods Funding Working Group.

Development of your proposal will require a significant amount of staff support, analysis, and modeling. This work will be provided by the Office of Financial Planning & Analysis augmented by subject matter experts from the Office of Planning & Analysis and the Chief Administrative Officer/Divisional Finance Leader community. They will join you in your meetings.

Resource Materials

To assist in your work – and to bring those of you who are new to the process up to speed as quickly as possible – we have created a Finance Reform Google Drive to share resource materials for the project. You will find on the drive [Finance Reform Initiative foundational documents](#), which include a high-level work plan, scope of work, organizational structure, etc. for the entire Finance Reform Initiative. In addition, we have created a folder for [Common Goods Funding Working Group reference materials](#), which includes thought papers and other documents related to your specific charge. The resources available on the Google Drive will be expanded as the project continues.