



Mary Croughan
Telephone: (510) 987-9303
Fax: (510) 763-0309
Email: mary.croughan@ucop.edu

Chair of the Assembly and the Academic Council
Faculty Representative to the Board of Regents
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

August 27, 2009

**LAWRENCE PITTS
INTERIM PROVOST AND EXECUTIVE VICE PRESIDENT – ACADEMIC AFFAIRS**

Re: Principles to Guide Fiscal Decision-Making and Planning for the Future of the University of California

Dear Larry:

At the July 29 Academic Council meeting, you noted your general support for Council's May 2009 *Principles to Guide Fiscal Decision-Making in the Current Budget Environment*, but you also mentioned that you were finding it difficult to apply them in a practical way to budgetary decisions. You asked if UCPB, the original drafters of the document, could prioritize the principles in order to transform them into a working document that would be more useful in planning discussions at UCOP and the UC Commission on the Future.

Subsequently, UCPB reordered the principles to reflect and emphasize its highest priorities. Those principles related to shared governance, educational quality, and research quality are now at the very top, followed by those related to the need to address short-term budget cuts, and those addressing the need to secure future funding. UCPB also has written a new preamble that is designed to put a more practical "spin" on the principles and put them into action. The preamble stresses, in short, that maintaining the quality of the faculty should be UC's fundamental objective as it considers options for cutting costs while preserving the quality of the academic enterprise. Council endorsed this document on August 25, which I am now pleased to share with you.

The Academic Council looks forward to working with you and the Commission on this and other crucial issues. Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Mary Croughan".

Mary Croughan, Chair
Academic Council

Copy: Academic Council
UCPB
Martha Winnacker, Academic Senate Executive Director

Encl. 1



Principles to Guide Fiscal Decision-Making and Planning for the Future of the University of California

**Proposed by the University Committee on Planning and Budget
and adopted by the Academic Council**

August 25, 2009

Preamble

What distinguishes UC from every other university system, and what most benefits the state of California, is to have a faculty whose excellence in teaching, research, and service is unparalleled. World-class educators challenge and inspire undergraduate and graduate students to become tomorrow's leaders. Their cutting-edge research lays the foundations for whole new industries and ways of thinking. Finally their expertise at the local, state, national and global level helps shape public policy and our world. All other aspects of quality follow from the goal of protecting the quality of UC's faculty, as does each proposal contained herein. Implicit in our definition of quality is that all academic units should be held to the same high standard of excellence and that they should all be funded accordingly. We reject the assumption that the budget crisis could be solved by identifying specific, low-performing programs for closure or downsizing. Our observation is that there simply are not large enough numbers of academic programs that are unproductive to solve the budget crisis. Programs may well be phased out, but we favor a process of thorough review that would work to put programs on sustainable paths, through recombination or reorganization, before termination.

The Academic Council also rejects the finger-pointing and ranking of programs or campuses that has followed the budget crisis and the furloughs policy. We believe that a state as large and geographically diverse as California needs more than just a few elite public-university campuses.

We reiterate existing Academic Senate policies, as follows: we oppose tiering or stratification of any kind, and strongly adhere to the one university, ten campus principle; we believe that only competitive total remuneration will ensure a top-quality faculty, and place this budgetary goal above any others, beginning with a restoration of the Faculty Salaries Plan and the preservation of a strong benefits package; we continue to advocate for substantially increasing the contribution rate for UCRP, to ensure that this important benefit remains healthy, sustainable, and fundamental to recruiting a top-notch faculty. These are existing Senate policies, adopted not out of a belief that they are affordable, but because they are necessary to achieve our mission and maintain our excellence.

Together with our conviction that quality is the over-riding principle for any budget planning, these policies imply a standard for funding below which the Academic Senate will not support going. How will we achieve this? The ten principles that follow are intended to guide planning choices that adhere to our funding standards.

Existing funding is clearly insufficient to provide the high quality university system that the citizens have come to expect. We support renewed efforts with the state to achieve proper funding and remain ready to help. If, or when, none of these steps prove to be adequate, we view fee increases as a necessary and unavoidable last resort to maintain quality. If the state will not provide funding commensurate with enrollment, UC campuses should increase the number of non-resident students, while simultaneously bringing enrollments of in-state students more in line with state support.

While we recommend these steps, we want to shift the debate away from the single-issue focus on allocating scarce state resources during difficult times and toward treating higher education as a vital public, not private, good. As a public university, we place the highest value on serving all income groups and a diverse student body, and from this core value follows the principle that no one is served by compromising our quality goal. All other goals—even access and affordability—are secondary. Our view about affordability is simple: if the state of California once again adopts the view that access and affordability are public goods worth supporting, they will be readily achievable.

These principles redirect the focus for future budgetary planning of UC toward increasing revenues. The Academic Senate looks forward to working with the administration to think imaginatively and constructively about the budget, on that basis. The ten principles below define the approach we will take.

We have divided the principles into three groups. A set of core values focused on educational and research *quality* is followed by a set of short- and long-term strategies to address *funding* (budget cuts and future funding). The principles themselves remain unchanged.

Core Values: Quality Above All

1. Shared governance is a fundamental principle of UC, and as critically important to the recruitment and retention of UC faculty as to the preservation of academic excellence. Management of the University is divided, by the Regents, between the President, who is charged with ensuring the material conditions for the success of the University, and the Academic Senate, which is charged with guiding and executing its academic mission. Shared governance gives the faculty both a voice in and responsibility for the operation of the university, and represents a guiding force that unifies the ten campuses of the University into a single system under a uniform standard of excellence.

Given the centrality of the faculty in guiding and executing the academic mission, there should be increased transparency in budgetary planning and continuous faculty involvement at the local and systemwide level to identify options for budgetary cuts and improved efficiencies. Complete information from the budget and planning offices of each campus should be made available about the funding for various campus units, performance measures – especially those used in making decisions concerning funding, and the effects of past and currently contemplated cuts on each unit’s ability to contribute to our teaching and research missions. Campuses need to improve communication with faculty, staff, and students – through regular Town Hall meetings, easily accessible IT, and other vehicles – to provide the most current budget information. Consultation needs to occur with appropriate Senate, administrative, staff, and student committees before budget reductions are implemented.

2. Budget decisions should strive above all to protect the quality, affordability, and accessibility of UC's three core missions – teaching, research, and service – through which the University serves the state of California and the nation.

Above all else UC's budget decisions must maintain quality; to do otherwise is to short-change the future of our students and the economic health of California, offering a UC education in name only. Without proper support, UC will face both continued decline in quality and pressure to shrink to a level consistent with its continued underfunding. To preserve and enhance quality, affordability, and accessibility, the state must meet its responsibilities for keeping UC an intact system as a whole. If UC is to retain its character as a public institution, the state must find ways to generate sufficient additional revenue to properly fund the University, which will require increasing state taxes and fees.

3. The University's enrollment policy must state clearly that UC cannot continue to sacrifice educational quality by accepting more students than are funded by the state.

UC's focus on providing access to as many qualified California students as possible is admirable and should continue to be a top priority. However, enrolling thousands of unfunded students is no longer possible in the current budget environment. This policy necessitates numerous compromises such as larger class sizes, fewer teaching assistants, fewer permanent faculty and other compromises. All of these translate into a lower quality education for all students, curtailment of graduate programs, and increased time-to-degree, thus increasing the cost to UC as well as to the students and their families. Moreover, the current enrollment policy sends mixed messages to the state, which is already slashing resources, by both validating its behavior and solidifying the funding status quo.

4. All departments and programs, current and proposed, must have appropriate and sustained funding to support their mission: upholding the high standards of the University of California and providing a solid foundation for teaching and research.

In consultation with the faculty and established guidelines, UC should evaluate existing undergraduate and graduate programs not only for their academic achievements, but also for the adequacy of their support. The results of that evaluation should help determine whether more or fewer resources are appropriate, and even, if necessary, lead to a recommendation that a program be terminated. New programs and capital projects need clear guidelines to help UC evaluate their full financial costs and educational impact. The University should not expand or launch programs and facilities without providing sustainable funding. The absence of proper funding has led to the starving of existing programs and/or sacrificing of the quality of new programs. Above all, a central tenet should be that comparable programs should be comparably funded across the system.

Funding: Short term

5. Furloughs and pay cuts should be temporary and implemented only after all other options are exhausted. Budget cuts should not be addressed by reducing pay or benefits without first conducting a cost/benefit analysis of the impact of the proposed cuts on UC's mission and excellence. If deemed necessary, any salary cuts should be implemented on a progressive scale, protecting the University's lowest-paid workers as much as possible and weighting the heaviest cuts to total senior administrative compensation.

UC salaries have been uncompetitive for years, and the abandonment of the Faculty Salaries Plan after only one year has already been detrimental to faculty morale and to our recruitment and retention of an excellent faculty. Any attempt to remedy the budget problems facing UC by decreasing either salaries or benefits ignores these problems and will initiate a further decline in UC's ability to recruit and retain faculty and staff. It is particularly irresponsible to cite as a justification for cuts in total remuneration the large percentage of UC's core budget that salaries and benefits represent, without an analysis of the impact such cuts will have on UC's excellence. An environment of continued salary reductions reinforces the incentives for faculty to seek outside offers in order to negotiate higher off-scale salaries, and emboldens companies and outside universities to raid our faculty. The need to provide off-scale salaries for retention purposes funded from unfilled FTEs further weakens our system of salary scales and peer review. Furthermore, salary cuts reinforce existing patterns of inequalities, not only within the faculty salary scales, but also between lower-paid staff and higher paid staff and administrators. Finally, salary reductions combined with the return to UCRP contributions could trigger a precipitous wave of senior faculty retirements, further eroding the environment for junior and mid-level faculty because of the increased workload and loss of collaborators, colleagues and mentors resulting from their departure.

Across-the-board furloughs and salary cuts are not a long-term, sustainable solution to UC's budget shortfall. They take pressure off administrators to make other more painful, but potentially more productive decisions about cutting programs or administrative costs that would have a greater impact on our financial problems and help build a stronger, more efficient UC. The Academic Council recognizes the 2009-10 furloughs only as a temporary measure in the near-term, but emphasizes that long-term, comprehensive planning to find permanent funding solutions is essential.

6. Closing any units or laying people off is very painful, and all possible effort should be taken to help with retraining, relocation, rehiring or retiring.

To avoid across-the-board cuts that continue to erode quality in all aspects of UC's mission requires targeted cuts. Targeted cuts, in turn, mean disproportionate impact on employees in the units that are eliminated or down-sized. Existing policies need to be utilized to the fullest extent possible, so that employees who are laid off are considered for open positions in other units. These policies should also be reviewed to ensure that UC is a leader in developing new strategies to retrain or relocate affected employees.

Funding: Long term

7. UC's marketing and communications strategy should emphasize how the University benefits California and what will be lost without sufficient resources.

While the University is lauded as being one of California's primary engines of economic development, this view seems to get lost even in relatively good financial times when the state budget is being drawn up. UC is not just another interest group seeking its share of the state budget; rather, it needs to be understood as a vital investment in the future of our children and California. The public has greatly benefited from the innovations and discoveries of the faculty, staff and students of the University of California. Faculty and alumni have founded new businesses and there is a long history of partnership with industry. California agriculture has been transformed by the research conducted at the University, as has the healthcare of Californians due to the UC Medical Centers. Finally, a UC education provides the state's best

students with a foundation for advancement into life-long careers and provides California with a high quality workforce and innovative leaders.

8. The University must strive for greater efficiencies at all levels.

Administrative units have expanded or been added at a rate far in excess of student enrollment growth with its associated increases in faculty and staff. The progress in downsizing the Office of the President, welcome as it is, merely scratched the surface and reductions on the campuses comparable to those undertaken by UCOP are needed. Administrative and academic departments should review their present spending patterns, organizational structures, and regulatory demands to ensure they are supporting University priorities in the most cost-effective manner possible. In particular, every aspect of administration should be reviewed, and activities that do not support the core teaching, research, and service missions of faculty and students—either directly or because they are critical to faculty or student welfare—should be considered for elimination. Above all, any cuts in administrative functions, whether at the Office of the President or down to the department level, should not result in just pushing the work further down the chain, unless it is accompanied by appropriate funds to support the increased local workload.

9. UC must consider alternative options for revenue enhancement in response to the current trends in state funding.

As UCPB discussed in the *Futures Report*, without appropriate state resources, UC will be unable to continue as both an affordable public university providing access to Californians from all income groups and the world's highest quality public university system. If the State does not recognize its obligation to provide sufficient funding, then UC must consider more dramatic steps for revenue enhancement. A number of major state-supported research universities throughout the United States have responded to severe cuts in their budgets by becoming increasingly independent of state funding through enhancing revenue sources. In this process called “privatization,” universities have raised tuitions to much higher levels that are only partially ameliorated by return-to-aid. They are also enrolling a higher percentage of fee bearing non-resident domestic and international students. While the Academic Council in principle strongly opposes privatization of UC as contrary to the best interests of the citizens of California, continuation of current fiscal trends will make such policies unavoidable in order to maintain the quality of the University of California. Privatization for UC would entail modifying the return-to-aid policy and much higher student fee increases than the 9.3% increase planned for 2009-10. Clearly these actions would help sustain the quality of UC, but they would come at the expense of dismantling the original Master Plan and its vision of affordable high quality education for all qualified Californians as the foundation for the state’s future.

10. Decision-making authority for strategic budget and planning actions affecting more than one UC campus should continue to be directed from the systemwide level, but should allow for local flexibility to accommodate the different budgetary circumstances of the campuses.

While some local flexibility is appropriate in making budget cutting decisions, it is also important that major strategic budgetary decisions continue to be discussed and made at the systemwide level in order to preserve the sense of UC as one university. Allowing too much local flexibility can work against systemwide goals of increasing efficiencies and may also compound campus-to-campus inequities and increase campus stratification. The Office of the President should clearly delineate what types of decisions can be made by campus administrations, and what types of decisions will be determined by the systemwide office.