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*Chair of the Assembly and the Academic Council
Faculty Representative to the Board of Regents
University of California
1111 Franklin Street, 12th Floor
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June 15, 2009

**PRESIDENT MARK YUDOF
UNIVERSITY OF CALIFORNIA**

Re: Budget Planning Principles

Dear Mark:

At its meeting on April 30th, the Academic Council discussed and subsequently endorsed a set of principles authored by the Academic Senate's University Committee on Planning and Budget (UCPB) to guide fiscal decision-making in the current budget crisis. We offer these principles, which are attached to this letter, in the spirit of shared governance to frame the difficult choices that the University must make in the coming months. I have shared them informally with the Strategic Budgeting Advisory Group, and you will note that they also will be presented to the Assembly for discussion on June 17.

Please do not hesitate to contact me if you have any questions regarding these principles.

Sincerely,

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

Mary Croughan
Chair, Academic Council

Copy: Academic Council
John Sandbrook, Interim Chief of Staff
Martha Winnacker, Academic Senate Executive Director
Katherine Lapp, Executive Vice President of Business Operations
Lawrence Pitts, Interim Provost and Executive Vice President

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Principles to Guide Fiscal Decision-Making in the Current Budget Environment

**Drafted and Submitted by
The University Committee on Planning and Budget
and
Endorsed by the Academic Council
May 2009**

One year after UCPB's "Cuts Report," and three years after its "Futures Report," the University of California faces another round of unprecedented budget reductions that go beyond even the worst case scenarios outlined in those reports and further threaten UC's core teaching and research missions. UC has tended to manage its fiscal challenges by taking a make-do approach that focuses on preserving all existing programs while continuing to grow and expand. This strategy is admirable in many respects, but necessitates compromising quality and is no longer possible. We must communicate a strong message to the state and the public that there are real consequences to the persistent and chronic under-funding of the University, and additional new cuts simply cannot be absorbed without severe impact on its core missions. Making hard choices about core priorities based on our shared principles is now unavoidable and critical to our strategy of communicating a strong message to the state and the public. The outcome of this dialogue can represent an opportunity to put UC on a better long-term footing for the future.

The Academic Council recommends the following principles to underlie current and future budget decisions:

- 1. Shared governance is a fundamental principle of UC and critically important to the recruitment and retention of UC faculty and preservation of academic excellence. For that reason, there should be increased transparency and continuous faculty involvement at the local and systemwide level to identify options for budgetary cuts and improved efficiencies.***

Complete information 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. UC's marketing and communications strategy should emphasize how the University benefits California and what will be lost without adequate 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; for example, the recent California Institutes for Science and Innovation (CalISIs). 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.

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

It is most important for UC's budget decisions to maintain quality; to do otherwise is to offer a UC-quality education in name only. Preserving that quality is possible only through adequate state support. Without that support, UC will face either continued decline in quality or it will need to shrink to a level consistent with its funding. If UC is to retain its character as a public institution, however, neither alternative is acceptable. To preserve and enhance quality, affordability, and accessibility, the state must meet its responsibilities for keeping UC whole. It must find a way to generate sufficient revenue to fund the University, which today is only possible only by increasing state tax revenues.

4. *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 imply 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, it sends mixed messages to a state which is already slashing resources by both validating its behavior and solidifying the funding status quo.

5. *All departments and programs, continued and proposed, must have appropriate and sustained funding to support their current mission, uphold the high standards of the University of California, and provide a solid foundation for maintenance of quality 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 new 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.

- 6. 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.***

UC salaries have been uncompetitive for years, and the abandonment of the faculty salaries plan after only one year already has 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 implies a further decline in UC's ability to recruit and retain faculty and staff. It is particularly irresponsible to cite as justification the large percentage of UC's core budget that salaries and benefits represent, without regard to the share directly engaged in teaching and research, while offering no analysis of the impact on UC's excellence from cuts in total remuneration. A strategy of salary reduction also reinforces the incentives to seek outside offers and the pattern of paying off-scale salaries with unfilled FTEs that have severely weakened our system of salary scales and peer review. Furthermore, any salary cuts should not reinforce existing patterns of inequalities, not only within the faculty salary scales, but also between lower-paid staff and higher paid staff and administrators. We urge the administration to implement any furloughs or salary cuts deemed necessary progressively (e.g., consider not cutting total compensation to the lowest paid employees and implement salary cuts in tiers, increasing the percentage of the cut in higher salary bands).

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 that temporary measures may be necessary in the near-term, but emphasizes that long-term, comprehensive planning to find permanent funding solutions is essential.

- 7. Senior administrators should follow the lead of other major universities and take cuts in total compensation before imposing any such cuts on faculty and staff.***

In recent years, salaries and additional payments to the University's most highly compensated individuals have greatly outpaced faculty and staff increases. In alignment with the notion that progressivity is a more equitable approach to shared sacrifice, that targeted cuts are more desirable than across-the-board cuts, and that administrative compensation has grown excessively vis-à-vis faculty and staff salaries, we recommend that cuts be made to supplemental compensation beyond salaries of senior administrators before faculty and staff salary cuts are considered (including bonuses, incentive pay, retention increases, variable pay programs, and per policy perquisites that are not available to faculty such as relocation allowances for new SMG hires). Recognizing that such a measure will not solve the budget problem, it could create significant good will among faculty and staff if salary cuts are imposed.

8. *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.

9. *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 any activities that do not support the core teaching, research, service, and outreach 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. In addition, the possible necessity of long-term budget reductions should be taken into consideration in the planning process.

10. *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 adequate state resources, UC will be unable to continue as both an affordable public university providing access to Californians from all income groups and also the world's highest quality public university system. If the State does not recognize its obligation to provide adequate 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.

11. 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.