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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 3, 2009

**PRESIDENT MARK YUDOF
UNIVERSITY OF CALIFORNIA**

Re: Coordination of Budget Planning and UC's Future

Dear Mark:

Following its April 29-30 meeting, the Academic Council endorsed the enclosed letter from the University Committee on Faculty Welfare (UCFW), which calls for bold leadership in confronting the implications of the current budget crisis for the University. The Academic Council's endorsement conveys a shared belief that the University is facing fundamental choices about its future. The endorsement does not represent full agreement on what the choices are or which alternatives are preferable: that conversation is just beginning and extends beyond UCFW's purview. As you proposed at our last meeting, the Academic Senate is identifying faculty to undertake an examination of alternative educational models and future pathways for UC.

In the meanwhile, the Academic Council believes that better systemwide coordination and communication is needed to ensure that the University presents a united response to the current budget crisis rather than devolving into fragmented campus-specific measures. Robust consultation with the Senate is an essential component of this process. Second, Council believes that there is an urgent need to develop a shared vision of the future of the University that acknowledges long term funding realities. Extrapolating from its expert understanding of chronic underfunding for faculty salaries and UCRP obligations, UCFW suggests a need to choose among three available paths: (1) maintain quality and reduce size throughout the system; (2) move to a high fee/high aid model; or (3) maintain size (relative to the Master Plan) but reduce quality. Although some members of Council disagree with this description of the specific choices before us, the majority has adopted UCFW's call for urgent and far-reaching consideration of what are the University's most essential attributes and how to preserve and promote them in the context of permanently reduced resources.

With your support and leadership, we can constructively engage the possibilities and ensure that UC continues to offer the highest quality public education, research, and service.

Please do not hesitate to contact me if you have any questions regarding Council's comments.

Sincerely,

A handwritten signature in black ink that reads "Mary Croughan". The signature is written in a cursive, flowing style.

Mary Croughan
Chair, Academic Council

Copy: Academic Council
John Sandbrook, Interim Chief of Staff
Martha Winnacker, Academic Senate Executive Director

Encl (1)



UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
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May 6, 2009

**MARY CROUGHAN, CHAIR
ACADEMIC SENATE**

RE: The Current Budget Crisis and UC's Long-term Future

Dear Mary,

During the last several months the financial situation of the University has continued to deteriorate, and this process shows no signs of abating any time soon. This most recent episode of budgetary crisis comes upon several years of ever-leaner support from the state that has been addressed in detail in two Council-endorsed documents, the [Futures Report](#) (January 2007) and the [Cuts Report](#) (April 2008). These reports demonstrate that state support per student has declined 40% in real terms since 1990. Even when the current downward spiral bottoms out, it is not reasonable to expect that we can recover financially to the point where we can continue to think of UC as the institution with the same goals and expectations of a decade ago.

The dire nature of the financial situations of both the University's operating budget and UCRP is now well recognized and there are several planning efforts underway, both centrally and on the campuses, to cope with these crises. UCFW has two major concerns with these efforts: (1) coordination between efforts and clear consultation processes appear to be lacking; and (2) there is no shared vision of what the University should look like a decade from now.

1. Lack of coordination between central and campus planning has led to instances of confusion as to what policies can be formulated and/or implemented by Chancellors or Deans and which must adhere to University-wide policies and procedures. This question touches on the issue of differential actions by campuses and what the potentially enormous implications of those actions might be. If individual campuses are permitted to enact substantively different responses to the current fiscal crisis, the result could be a permanently fragmented and weakened University. Therefore, for every action that is even being contemplated, it should be made clear at the outset where the authority and responsibility for the action lies.

Processes for full systemwide Academic Senate review of proposed actions, such as furloughs and pay cuts, are not clearly laid out. While UCFW appreciates the need for timeliness in responding to the current financial crises, we believe that the University will not be well served if shortcuts are taken in these review processes. If Senate consultation is to be meaningful, it must allow time for consideration and response from the Divisions as well as the relevant systemwide committees and the Academic Council.

Since late 2008 it has been clear that furloughs or pay cuts will be under consideration at some or all campuses in the 2009-10 academic year. The process of setting the parameters for these drastic actions should have begun several months ago to allow for Academic Senate review, rather than starting in April under severe time pressure to present a plan for discussion at the May Regents meeting.

2. A more pervasive flaw in the current planning process is the lack of a shared understanding of what we are striving to accomplish through these planning efforts. In fact, this question seems not to have been asked, much less addressed or answered.

Again, it has become clear over the past years that the State of California is unwilling or unable to fund a UC system of the quality and size outlined in the Master Plan. It is unrealistic to believe that if we simply make a greater effort to make our case with the voters or legislators, adequate funding will follow. In spite of this reality, the University has continued and continues to add new programs and, until recently, new (unfunded) students. This approach was never sustainable and it is now no longer even feasible.

From UCFW's point of view, one of the most glaring indicators of this fact is that long before the current crisis took hold, the faculty salary scales were so inadequate that in February 2008 (even taking into account the implementation of the first year of the 4-year faculty salary plan) nearly 60% of the faculty had to be paid off-scale in order to maintain a faculty of sufficient size and quality to achieve our educational, research and service mission. The second year of the 4-year plan was not implemented and currently, our salary scales would have to rise by approximately 40% to make them competitive. So while the average UC faculty salary is currently 10% behind the Comparison 8 average, a significant number of faculty, especially women and older faculty who may have less ability to generate outside offers, are much further behind market salaries. As noted above, the four year plan to reestablish the integrity of the salary scales went unfunded in its second year, with little hope of resumption in the near future.

At the same time, unfortunate statements have been made by senior University officials indicating that our benefits programs are substantially better than those of our competitors. However, the soon-to-be-completed Total Remuneration Study indicates that once employee contributions to UCRP reach 5% of covered compensation, as anticipated within the next few years, the value of UCRP to UC faculty will be 13% less than the value of our competitors' pension plans. Thus, the notion that we can address our financial situation by cutting benefits must be abandoned if we are to have any hope of remaining competitive.

Furthermore, over the past two decades, UCRP has provided a large subsidy to the UC operating budget, and thus to the State, by providing a valuable benefit, worth approximately 17% of covered compensation, without any University or employee contributions. Since the UCRP surplus has turned into an unfunded liability, this subsidy cannot continue. We will need to cover the entire 17% normal cost of the plan plus a large additional payment to amortize the unfunded liability. The slow ramp-up of contributions currently contemplated will result in a dramatic worsening of the UCRP funded status over the next decade and beyond.

Since there simply is no prospect that the State will provide sufficient funds to maintain the University of California at the size and quality envisaged in the Master Plan, it is essential that the University begin discussion of the alternative futures that now face us:

- A. Maintain quality and reduce size throughout the system (relative to the Master Plan). This could be achieved by reducing eligibility gradually from 12.5% to 10% of the high school seniors. Eventually state revenues would suffice to fund an excellent system of about the current size. This goal can be attained if addition of or expansion in some programs is offset by elimination of or reduction in others. If we wish to maintain the quality of the faculty (and therefore of the University) by offering competitive salaries, then we cannot increase its size, as would be required by a net addition of new programs or expansion of existing ones. It would be much more palatable to hold at our present size than to continue growing for a time, then being forced to shrink.
- B. Move to a high fee/high aid model. If accomplished through substantial increases in the number of out-of-state students, this approach could result in differentiation among campuses due to perceived differences in quality. To counteract this, the same student fee structure and a single functional, competitive faculty salary scale will be required to maintain quality on all campuses so that the promise to all students in the system of a UC education does not become an empty one.
- C. Maintain size (relative to the Master Plan) but reduce quality. This is by far the least palatable of the options because it could result in either stratification of the campuses and ultimate disintegration of the system or reduction of the quality of the entire system. It is mentioned here because, unfavorable as it is, it is the likely outcome of failing to recognize and plan for the long-term state funding shortfall. *This is clearly the path on which we have been unconsciously headed for the past 20 years. We should either choose a different path, or frankly acknowledge that we are making a choice for mediocrity.*

UC is currently borrowing approximately \$400 million for capital projects designed to provide the facilities needed to meet the size and quality envisioned in the Master Plan. Certainly there is a need to maintain and repair existing infrastructure and provide for the maturation of existing campuses. At the same time it must also be recognized, in the context of the scenarios above, that a smaller UC would require fewer facilities; a lower quality UC would also require fewer facilities, since it would generate far less research money and hence need far less laboratory space. The money borrowed for capital projects strains the operating budget because it adds to our debt service costs. UC should dramatically curtail capital spending until it has reached a clear sense of its long-term size and mission.

It is the belief of UCFW that the University's leadership needs to work towards the articulation of a vision of the institution that makes a clear choice of which pathway we are taking and why. This will bring a unity of purpose to planning efforts and clarity as to the long term goals to be achieved among the many, often competing, short term ones. In particular this centralized vision of the University is required as a context in which to consider the addition of new programs (and/or new buildings) and the elimination of programs on the proposing campus or elsewhere in the system to offset the proposed addition. The current model of adding and expanding programs in isolation of the overall goals and sustainability of the University cannot continue in any financial model that may emerge from the current lack of comprehensive planning.

UCFW recommends that the Academic Council communicate to the President its concerns regarding (1) the coordination and review processes of the current plans to respond to the current budget crises; and (2) the clear and immediate need for the University to engage in determining

the pathway it will take into the future and the identity it wants to have. This discussion should take place throughout the University Community but the responsibility for the leadership required to ensure its occurrence and effectiveness lies with the President.

Sincerely,

A handwritten signature in cursive script that reads "Helen L. Henry". The signature is written in black ink and is positioned above the typed name.

Helen Henry, UCFW Chair

Copy: UCFW

Martha Winnacker, Executive Director, Academic Senate