

December 10, 2008

DEANS
VICE CHANCELLORS
VICE PROVOSTS
ASSISTANT CAMPUS PROVOST MORENO
ASSISTANT CAMPUS PROVOST/CHIEF OF STAFF SAHNI
UNIVERSITY LIBRARIAN STEEL
ACADEMIC SENATE CHAIR WILLIAMS

Dear Colleagues:

Re: Budget Planning Information Request

This is a time of rising economic concerns in the state and the nation. We are once again required to face the challenge of deciding how best to support our mission on a significantly smaller state-funded budget. To meet this challenge it is important to begin now to engage each principal officer in a series of budget planning exercises that I hope will result in our ability to preserve our commitment to excellence and help us continue to build a world-class research university.

In the current year, we reduced our budget by \$6.5 million (\$4.5 million in permanent budget reductions were allocated when the 2008-09 budget was enacted; an additional \$2 million in one-time cuts were taken centrally in response to a mid-year cut imposed by the State in November. The additional cut will become permanent in 2009-10).

As the legislature seeks to address a current year deficit that could be as high as \$28 billion, we anticipate there will be additional mid-year cuts that will need to be distributed and covered this year. In earlier communications, I have asked that you reduce spending in the current year by instituting a flexible hiring freeze, curtailing non-essential travel and entertainment, delaying equipment purchases to the extent feasible, encouraging further staff participation in the START programs where feasible, and deferring new initiatives that do not generate cost savings or increase revenue. Given the potential magnitude of permanent cuts in 2009-10, I ask that you continue to conserve cash, preserve your flexibility by keeping vacant positions open where possible, and once again review your commitments against carry forward balances.

Furthermore, while it will be some time before we know the full extent of the challenge for 2009-10, we must begin now to understand the impacts of smaller budgets in every area of the institution. A few things are clear: the scale of the reductions in state support will be significant and permanent; the budget reductions will impact every unit in every area of the campus, the interdependence among academic units and institutional support units makes this inevitable; and our planning must take into account the impacts that have already resulted from past reductions, the differential impacts of growth, and realized and anticipated cost increases.

As an initial information gathering and planning exercise, I am asking each principal officer to provide me by January 9th, two alternatives on how they would accommodate a 10% reduction in their current budget.

It is important that this request not be interpreted as a decision to implement a 10% across-the-board budget cut. My intent is to gather information that will inform deliberations leading to thoughtful decisions. Decisions will not be made until we know what actions the State and the Regents will take.

Our approach in planning for the anticipated reductions will be broad in scope and include all academic, public service and institutional support functions. All units are expected to participate in this exercise. Every unit will need to identify opportunities for cost savings, budget/service reductions and opportunities for increased revenue where feasible.

As you prepare this response for your division/unit, I recognize that I am not providing you with time for thorough review of all alternatives, in-depth analysis or consultation. This quick turnaround time is intended solely to give me your initial thoughts so we may begin to review and discuss a full range of options.

I am not looking for details, rather, I want to 1) ensure that the issues we need to address are on the table; 2) understand the consequences and impacts of budget reductions; 3) understand how you might phase-in those reductions; and 4) understand the rationale behind your choices.

To help frame your alternatives, please consider the following assumptions:

- While we anticipate that total enrollment in 2009-10 will be no greater than it is in the current year, we are targeting significantly fewer new frosh (a reduction of approximately 450 from the current year).
- New faculty resources will not be allocated to divisions.
- We anticipate there will be no increase in the number of students living on campus.
- Self supporting units should factor in the likelihood of additional costs when employer contributions to the retirement system are resumed on July 1st. For purposes of this exercise, we are assuming that employer contributions will be 4% of payroll.

This exercise organizes this task in terms of existing administrative units. Beyond this, there are many critical functions which span multiple academic and support units. Understanding the budgets for those functions and their effectiveness requires cross-divisional analysis. I am therefore developing a short list of such functions that will be reviewed in order to understand whether they can be delivered more cost effectively. I will provide you more detail on this process in the near future.

It is clear that the campus has made great progress during a period of time when state support has not kept pace with enrollment growth and inflation. Since 1990-91, average inflation-adjusted expenditures for educating UC students declined by 19 percent. The State's share of expenditures plunged even more deeply, by 40 percent. During this time, however, we continued to grow our graduate student population, received approval for new graduate programs, increased our research activity considerably and saw many of our faculty receive prestigious awards. We have made extraordinary progress on many fronts despite the decrease in per student funding. I understand that continued progress will be more difficult, but it is possible.

This is just the first step as we work together to develop a resource plan that is carefully considered and responsive of the current fiscal climate, while ensuring the availability of funds to reinvest in areas that are critical to our future. I thank you in advance for your contribution to this process.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Kliger".

David S. Kliger
Campus Provost and
Executive Vice Chancellor

cc: Chancellor Blumenthal