

**COMMITTEE ON PLANNING AND BUDGET**  
**BUDGET REPORT #3**  
**June 25, 2009**

At the Academic Senate meeting on May 20, 2009, the Committee on Planning and Budget (CPB) issued two reports in the Call, and Chair Susan Gillman made an oral presentation on the budget. This report is an updated and expanded version of that presentation.

**Executive Summary**

The campus has arrived at a critical moment in the budget process. We have implemented cuts for 2008-09 (\$10.5M, consisting of \$4.5M in permanent funds and \$6M that will become permanent in 09-10) and have made plans for 09-10 cuts (\$13.5M) but have not yet assessed the impacts to date on either academic divisions or administrative/academic support functions across units. At the same time the campus has been informed of a new round of budget reductions for 2009-10, estimated to include an additional \$16M in a combination of one-time and permanent funds (plus the estimated \$12.5M in salary reductions that come directly from the Office of the President). Planning for the 2010-11 year will involve additional cuts. The dual danger posed is first, that we will have to rush into the next round without an adequate assessment of the current impacts, and second, that in the haste to make the required cut over the summer, planning for 2010-11 will receive short shrift. In this final report, CPB will therefore provide our own best assessment of the outcomes of the cuts, focusing on the academic impact on the curriculum and the delivery of instruction, and to a lesser extent, on graduate support and the research enterprise. We have used a set of metrics to monitor instructional capacity and effectiveness across campus, and have identified critical differences among the divisions that will establish a baseline for the future. We make recommendations to monitor patterns of enrollments and fundraising by divisions as well as in access to and delivery of required courses for majors, programs and General Education. We conclude with separate calls, on the administration and faculty, for overarching changes in the way we conduct campus budget and planning. Our goal is both to document the past and to set the stage and terms for the future. To the extent that a history of the present informs the future, we will use what we have learned, positively and negatively, over the last two years to suggest changes for 2009-10 and beyond.

**Where are we in the budget reduction process for 2009-10?**

CPB spent much of the spring quarter in consultation, both written and oral, with the deans on the impacts of the cuts on the divisions, departments and programs. While impacts of the cuts on the academic support divisions are easier to measure (in terms of personnel, positions and services that are reduced or eliminated) and therefore more fully known at this point, the assessment of the impact on the academic divisions is still incomplete. We are reporting on what we've learned up to this point and, equally important, on what ongoing measures and metrics we recommend for the immediate future.

## What have we learned?

### **First, on the percentages of the 2009-10 cuts:**

All the charts that the campus has seen, provided both by the Administration and the Senate, use the operating budget to calculate the permanent core budget out of which the cuts are taken. CPB explained in our first report this year the problem with that approach: over 75% of the core budgets of the academic divisions are in academic salaries and are therefore largely untouchable at the level of the divisions. This fact significantly reduces the areas in which cuts can be taken. (Staff layoffs only are at the discretion of individual campuses; it takes a decision from the Office of the President to institute system wide salary cuts or furloughs, a process that is currently underway with President Yudof's salary reduction proposal.)

Why would the campus continue to work with such a fundamentally misleading measure that under-represents the full extent of cuts within units and thus impedes reliable comparisons across units? Because the budget-cut process this year was so hurried, we had little choice but to rely on the conventional budgetary categories that the campus always uses. With more time, we believe that the campus might have considered how to incorporate another index that would provide more nuance in quantifying flexibility for each unit.

We find a precedent for a different approach in one of the biggest academic support units, Business and Administrative Services, where the allocation for "Purchased Utilities" is often removed from the operating budget because the campus has no discretion about eliminating this expense. In the academic divisions the analogue would be salaries for filled, ladder-rank faculty FTE. If this portion of divisional salaries (excluding untenured faculty and staff) were subtracted from the core budget, the percentage of the required cuts would increase. For example, (then) Acting Dean of the Baskin School of Engineering (BSOE) Michael Isaacson noted in his April 29 response to CPB's impact questions that the then-proposed reduction "has been reported as equivalent to a 4.2% budget cut [but] in reality this is a 9.6% budget cut since the annual cost of filled ladder rank faculty within BSOE constitutes more than 50% of our core budget, and filled faculty positions are not realistically part of any budget reduction scenario."

Some would argue, therefore, that this measure of "flexibility" is a more realistic mode of figuring the permanent core budgets of *all* units for the purpose of assessing cuts, given the huge share of academic divisional budgets committed to ladder-rank faculty. CPB recommends that this model be used in concert with the traditional method of calculating core budgets next year. It would help us to gauge the cross-campus impact of cuts on academic support units in relation to divisional cuts, rather than to scrutinize the academic divisions in isolation, too often pitting them against one another.

**Second, on the impacts of the 09-10 cuts on the academic divisions:**

The responses of the deans to CPB's questions about curricular and research impacts on programs, departments, and the division itself reveal a pattern of unexpected results. The divisional strategies range unevenly in the ways they balance the return of open (or unfilled) FTE with additional reductions in Teaching Assistantships (TA) and Temporary Academic Staffing (TAS). As illustrated in the following table, some divisions returned substantial numbers of FTE while other returned fewer in terms of both number and percentage. For example, Humanities returned 17 (59%) of their open provisions while Arts returned none.

Faculty FTE Returned July 1, 2009 For Budget Cuts

	2008-09 Faculty FTE*			FTE returned**	FTE Returned as a % of Total FTE***	FTE Returned as a % of Open FTE***
	Filled	Open	Total			
Arts	64.6	23.0	87.5	0	0.0%	0%
Baskin School of Engineering	73.5	15.2	88.7	3	3.4%	20%
Humanities (excluding Lang & Writing)	95.0	29.0	124.0	17	13.7%	59%
Languages	3.0	19.0	22.0			
Writing	2.0	13.0	15.0			
Physical and Biological Sciences	148.4	27.8	176.1	4	2.3%	14%
Social Sciences	160.0	25.5	185.5	10	5.4%	39%

\*Faculty FTE, as of July 1, 2008, after adjusting for the transfer of 1 vacant FTE from the Humanities Division to the Social Science Division.

\*\*Faculty FTE returned on July 1, 2009. This does not take into account additional cuts in 2009-10, beyond the \$13M already assigned.

\*\*\* FTE returned is calculated as a percent of total and open faculty FTE, as of July 1, 2008 after adjusting for the transfer of 1 vacant FTE from the Humanities Division to the Social Science Division. The number of open faculty FTE remaining in each division in 2009-10, after subtracting the number of FTE returned, will depend on the number of pending separations and new hires.

These data demonstrate different messages in terms of where and how much the cuts matter: they highlight where the divisions were in their “growth,” the trajectory to steady state, before the cuts. The number of open provisions relative to those filled tracks the stage of development for each division. The total also reflects the relative divisional sizes that were provisionally established in the campus Academic Plan (see our comments in Conclusion). Beyond the actual numbers, the return of FTE also has uneven consequences reflecting the different functions supported by the open provisions (start-up packages, research, graduate and instructional support). Some divisions consistently cut their budgets for lecturers (in the service of reducing TAS), and others rely on lecturers

only in specific kinds of courses (generally large lectures); still others pursue what appears to be a hybrid, cutting lecturers in some programs and keeping them in others.

In Humanities, for example, a significant portion of open FTE is dedicated to divisional research: the estimated annual expenditure of \$300,000 is greater than in any other division, perhaps reflecting the relative paucity of external grants and contracts in the Humanities. The ultimate impact on divisional research will have to be carefully monitored, in relation to local and campus wide fundraising as well as to the way research is organized and conducted at various campus levels and locations.

At the other end of the spectrum, for divisions that returned relatively few FTE, there are also unanticipated results. Arts returned 0 FTE but went even farther than the other divisions in making deep curricular cuts. The Music Department has suspended one of its three minors (Western Classical Music Minor), and more may be eliminated or suspended as departments across the division undertake their own in-depth curricular analysis. The number of lecturers and larger courses in the Division was reduced, along with TA support for the remaining large courses, for which ladder faculty will take on a larger proportion of the teaching responsibility. (Examples: Theater Arts offered 83 courses in 2008-09; in 09-10 they will offer 71 courses; History of Art and Visual Culture (HAVC) offered 44 in 08-09; in 09-10 they will offer 37.) The Arts Division strategy reflects the choice to sustain the undergraduate curriculum in reduced form so that the division can proceed with implementation for Fall 2010 of their two newest graduate programs in Film and HAVC.

This pattern of asymmetrical approaches to and consequences of cuts across the divisions demonstrates the need for a campus wide perspective to be incorporated into the budget reduction process. The aim is not to balance out the cuts but to ensure that instructional integrity is sustained across the campus. This entails weighing the trade-offs in the balance of tenure-track faculty, lecturers and TAs in instructional capacity, efficiency and effectiveness both within and across divisions.

An accounting of these changes in the balance of FTE (filled and unfilled), TA and TAS support, must be kept across the divisions as we move into planning for the next reductions. This means collecting data over the summer on current levels in the FTE economy, counting not only numbers of positions but also identifying the functions they support. CPB has developed a series of specific metrics and impact questions for the academic divisions, ranging from impact on curricular capacity and access, to instructor-student ratios, to major enrollment and time-to-degree. When lecturer funding is cut, teaching workloads for tenured and tenure-track faculty not only increase but also may shift direction, producing ripple effects across the curriculum, on General Education, major requirements and graduate courses. If paths through the major are truncated, as some departments may want to plan in their restructuring, then how many students will be affected and how might they be accommodated elsewhere? There are already campus

procedures in place to track major migration and other enrollment patterns but it is unclear how much of the available data has been disseminated to the department level, as well as whether it is made available at the optimal time of the year. The point is to enhance the monitoring of the curriculum by those who plan and deliver the curriculum.

The overall effect of curricular realignment on graduate student support must also be assessed from a central perspective. Different divisional strategies in the return of TAs, together with the new campus TA allocation methodology, have already resulted in differing needs for graduate support from the block grant allocated by the Graduate Division. This in turn results in different allocation formulas from the Graduate Division. Rather than streamlining, we run the danger of producing excessive complexity when decision making is too siloed, oriented toward the specific needs of units in isolation from one another or from the whole.

Analysis of these instructional metrics should be provided by the administration, with established reporting procedures through departments and divisions for every set of proposed and actual cuts. In addition to these curricular metrics, CPB recommends that we track anticipated and actual revenues to Physical and Biological Sciences (PBS) and BSOE, to ensure that they meet the expectations for increased research revenues on which the EVC based the differential cuts for 09-10. In addition to revenue enhancements, the EVC also used predictions of increased enrollments in sciences and engineering during tough financial times to justify the cuts to Humanities and Social Sciences. Data on his predictions and, later, when available, on the outcomes must be provided to CPB. Finally, an analogous set of questions and metrics for the campus research enterprise as a whole need to be developed.

**Third, on how campus priorities are reflected in the cuts:**

It is a budgetary truism that institutional values and priorities are revealed as much in cuts as in allocation of resources. On our campus there has been little overt discussion of this key question. Some constituencies assume the following from the percentages:

“It has become increasingly clear that the campus will be investing most of the marginal faculty lines that become available in Engineering, Arts and the Sciences.”

[Humanities Divisional Response to Campus Budget Cuts, April 17, 2009]

“The campus preference for growing the Arts, Sciences and Engineering and the emphasis on developing new professional programs will limit programmatic opportunities.”

[Humanities Budget Implications for Undergraduate Education Curriculum, April 27, 2009]

Without commenting on the validity of these assumptions, they provide a springboard for the following concluding remarks:

1. The Senate never endorsed the divisional sizes in the Academic Plan; they are still an open question, like the plan as a whole, which was based on a growth model that we have known for some time would not fully materialize. CPB has already argued in our May 2007 report, “Conditions and Strategies for Growth” ([AS/SCP/1531](#)) that the campus would need to develop a transitional strategy as we moved more quickly toward a steady-state environment than we’d anticipated. Now that moment is upon us, with far greater urgency because of the state budget “crisis,” which is not likely to abate. Given the several-decade trend toward reduced state support, we must start with the assumption that the cuts truly represent a permanent reduction in state support to UC. (See Conclusions below)

2. Since the Academic Senate review conducted in 08-09 of professional-school options, CPB and the Senate have consistently registered detailed and principled doubts, questions, uncertainties and, finally, recently, our stated opposition to a School of Management. The possibility of such a proposed school has been linked to one of the stated campus priorities, the development of instructional and research activities for the Silicon Valley Initiative (SVI). This is still a work in progress, involving a multi-campus partnership (UCSC, De Anza-Foothill, and San Jose State), a lease and land arrangement with NASA, and new leadership under co-Vice-Provosts for Silicon Valley Initiatives, Martin Chemers and Peggy Delaney. We note that a proposed management school is not identical with or equivalent to the Silicon Valley Initiative nor is SVI reducible to a management school. If the two were decoupled once and for all, then, CPB believes, SVI would have a better chance to develop through reaching out to faculty interests that have not yet been widely anticipated, recognized or mobilized. Next year’s CPB will follow up on the budget numbers for all SVI activities and components. The key measure for the success of SVI is how effectively it functions to foster faculty initiatives, nascent or already underway, on campus that need greater, reliable sources of institutional and infrastructural support.

**Where are we going? What can and should we be doing?**

The administration and the Senate are now engaged in deliberate and extended planning for the process of decision-making and consultation that will be used to make the next set of cuts over the summer and through next year. We know that the campus is faced with two sets of budget reductions, a further cut in state funds in the current year and another reduction for 09-10, estimated at an additional \$16M in one-time and permanent funds. We must also plan for another round of cuts (yet unknown) in permanent funds for 2010-11. Given that future, both the immediate and long-term prospect, we conclude this report with two calls for action:

**We call on the administration** to change the budgetary model of the campus, too long based on incremental growth and too long perceived as in need of change. Our own “UCSC Budget Handbook” (issued by the EVC and dated December 2008) argues for this change:

“The annual budget process currently focuses on incremental resources available to the campus, recognizing the need to undertake a closer review of base budgets over time with an eye towards understanding the adequacy of the base. This would be developed within the context of a broader qualitative review that must bring budgetary reality to the process” (“UCSC Budget Handbook,” p. 12).

CPB concurs. This is the time for the campus to embark on annual budget reviews for all units that would examine the entire budget of each unit, along with how funds are used, rather than focus on the increases (or the cuts). It’s a way of ensuring that allocations remain not “adequate” but appropriate, necessary to the expenditures with which they are (or were) aligned, and to ensure that functions are located and organized most efficiently. In the words of the Budget Handbook, “although the campus has formulas in place, they are not considered as entitlements.”

As part of this budget review, CPB recommends that we focus on administrative positions and functions within both the academic support units and the academic divisions. This is the place for a comprehensive review of all positions within specific classifications and above a specified pay level, including the highest-paid administrators, those in the Senior Management Group (SMG) and other Managers and Senior Professionals (MSP), in order to address documented campus growth in administration relative to enrollment growth. The critical issue is less the numbers of SMGs or MSPs than the rationality of our administrative structures and whether we have the right people in the right places (i.e., if the levels of staffing are necessary and appropriate). CPB would recommend that we define the scope of the question, rather than prejudge and limit it only to a narrow slice of administrators. For this reason, we argue that an administrative personnel review should feed into the budget process, in an attempt to get a sense of our overall campus profile, or balance, when it comes to staffing. And when it comes to the elimination of jobs, CPB wants to emphasize that how cuts are instituted on both the academic *and* support side needs Senate consultation: Senate leadership on the former, and consultation and vetting on the latter.

A functional review of campus activities conducted through budget hearings for all units would not only enable us to recalibrate administrative functions but also to reevaluate our culture of risk and compliance (from acceptable to minimal and intolerable), both of which drive resources and expenditures, often independent of campus priorities and goals. A key goal, so obvious that it should go without saying yet so critical that it must

be regularly reaffirmed, is to increase the percentage of our total core budget devoted to instruction in relation to administrative support.

The UC Davis Academic Senate has produced an administrative growth report ([http://academicsenate.ucdavis.edu/documents/task\\_force\\_report\\_060408.pdf](http://academicsenate.ucdavis.edu/documents/task_force_report_060408.pdf)) with potential applications to our own campus. See, for example, Table 2, “Administrative Accountability Outside Instruction and Research,” with data on service center costs and FTE that are analogous or comparable to the “Business transformations” initiated at UCSC. If this type of analysis were part of next year’s budget process, then we would have the means to measure how effectively those transformations are serving us. If they’re working efficiently, then the savings realized can, as planned, be diverted to instruction. Perhaps even more important than these specific measures is the first recommendation of the UC Davis report, asserting that “the university budget is in need of a complete examination and overhaul” and therefore calling for a “thorough audit of expenditures and budgetary practices.” This is essentially what CPB recommends at UCSC, for essentially the same reason: “The base-increment budgeting model used by UC Davis incentivizes the status quo, and the cyclical practice of budget augmentation followed by across-the-board cuts rewards inefficiency.” The report concludes, as we do: “The campus should be considered as one fiscal entity, not as separate fiefdoms that are monetarily independent and competitive with one another.”

**We call on the faculty** to make use of the Senate to devise a systematic process, outside of the usual committees, for cross-divisional thinking about the programmatic and administrative structures within which we work at both local and global campus levels. An independent trans-divisional faculty task force could work with groups already constituted within the divisions to identify specific structural impediments to the collaborative intellectual work that we see as central to our instructional and research mission. The point would be to develop possible ways to reconfigure those structures instead of living with and fighting against them. This “restructuring” could apply to everything from:

- Current efforts to reform our General Education system, proactive changes that the Senate plans to institute in the context of streamlining our overall curriculum. This was not a budgetary decision *per se*, but reflects the kind of faculty initiative working through departments and feeding into regular Senate processes that we are advocating.
- Graduate groups, shared graduate faculties, and/or shared graduate admissions. These structures are not new (departments in the School of Engineering, for example, use a coordinated admissions process with shared administrative support) but have not been well utilized or adapted to the needs of UCSC, where our campus goal of increasing graduate enrollment has resulted in a variety of small graduate programs that have proliferated and are struggling to survive. We



also have a fair number of departments that want to propose graduate programs or have programs trapped in the limbo of the Five-Year List, that lack the resource base for programmatic stability but have fostered intellectual affinities with one or more groups on campus. Making more effective use of existing structures, and perhaps changing them and the processes of on-campus approval, would be one goal of a faculty-led restructuring process.

- Rather than reacting passively and negatively to administrative proposals to realign departments, the faculty should take the initiative and seize the critical Senate advantage: Senate faculty have plenary authority over the curriculum and play a required role in the formal establishment/disestablishment of programs. These two powers represent the historical purview of the Academic Senate, our rights and the grounds on which we will shape a principled participation in budget cutting. This twin authority of shared governance gives us the means to rethink and perhaps combine or realign majors, undergraduate and graduate programs. (Some are already doing it: the Music Department has undertaken a year-long curricular overhaul, and for next year the Humanities Division will establish a “Divisional Reconstitution Task Force” to consider internal divisional structures, combining programs and departments, and other possible realignments of faculty, instruction and research.) This may also be the chance to shed some of our most divisive shibboleths and to abandon our most intractable *idées fixes*. To mention only one example: the Humanities Division chairs have written a collective letter requesting a review of Narrative Evaluations in the context of our ongoing budget reductions.
- The structural issue of how departments relate within and to divisions brings up the even broader question of our campus organization as a whole. This year’s budget reduction process repeatedly showed that that the structure doesn’t articulate effectively. It proved very difficult to communicate and track consultation within and between divisions and departments. Taking an unconventional overview from the top may explain the nature if not the causes of the breakdown. The campus charts as an organization with the central administration as the initiating unit, with the Academic Senate as a parallel organization (Senate and Administrative committees are mirror images), and then organizationally separate from both of these, but with individual intersection points (deans, chairs and faculty on Senate committees), are the divisions and departments. The structure produces real gaps in communication and interrelation. The departments are where faculty live and where decisions should ideally be made, but even if we consider the departments as “Committees of the Senate,” there’s no structure or process that brings those two, the departments and the Senate, together. The same goes for the Senate and the Divisions. To approach the next budget reductions more actively, and with greater activism, than we have thus far, we need to address these lacunae: the Senate Executive

Committee is already considering how to carve out meaningful lines of regular communication with the deans, admittedly only a start, and a small one. CPB favors the establishment of a special committee outside of the Senate structure but feeding into the appropriate committees when and as needed, in order to address the main issues facing us: what is the size and configuration we want for our campus in its steady state? It's up to the faculty to decide whether and how to address the biggest, most urgent question of whether the current divisional and departmental structures best serve us and our students.

This call for faculty action may sound overreaching or simply irrelevant, but CPB believes there's no one more qualified or better suited than the faculty to take on the issue of whether and how to combine and realign programs of instruction. We are best qualified to lead university "restructuring, to decide how to deliver education not only more "efficiently" but also more effectively. This will require us to lay down our historic oppositions, divisions, feuds and suspicions, even as we continue to be vigilant. To do so in the current state of emergency may well be the most secure means of maintaining the vigilance always required by and of shared governance. There is no moment like the present: time to spare but none to lose. We can no longer afford to lose sight of, and active control over, the resources necessary for the primary instruction and research mission. The long days of incremental budgeting and now of incremental cutting must be summarily declared over.

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