

COMMITTEE ON PLANNING AND BUDGET
Report on 2011-12 Budget and Budget Process

To: The Academic Senate, Santa Cruz Division:

In January EVC Galloway informed the Committee on Planning and Budget (CPB) of the magnitude and strategy for managing the 2011-12 budget reduction. The EVC's strategy for allocating the approximately \$19 million in cuts assigned to UC Santa Cruz was essentially an across-the-board 15.5% cut to all units with a notable exception. However, for the academic divisions, the salaries of filled ladder rank FTE were removed from the units' budget total before assigning the percentage cuts. This resulted in an effective 6% reduction for academic division (or 15.5% of the remaining budget after the salary extraction).

Before receiving budget-reduction proposals from principal officers, CPB communicated four general principles to the EVC. These principles embrace a much longer term view of handling our new budget reality than the immediate exercise of next year's budget cuts.

Administrative Changes Accompany Budget Changes

A budget cut of this size on the heels of three years of budget cuts suggests that reformed and consolidated administrative and academic structures will be needed to help us achieve our core goals. These changes could occur in the academic, academic support, and institutional support areas. The dialogue on budget cuts must be accompanied by a dialogue on restructuring around agreed-upon goals. One such goal is optimizing the student intellectual experience, ranging from the classroom experience to advising and learning support. We would like to see improvements in these areas regardless of the budget climate. They can be achieved if we broadly consider how we deliver core services and take actions that better align targets, data, and resources.

Loss or Diminution of Services

A loss of services or service quality is inevitable in a multi-year budget-cutting scenario. Such losses should occur as far away as possible from our core missions. This is a trade-off the faculty is willing to make.

Look at Total Cost to Students

In addition to fees (tuition), students also pay for housing, dining, and many other assessments. All of the dollars spent by students to get a UCSC education should be evaluated for their impact on achieving our core missions of teaching and research. The connection between teaching and the student experience is obvious, but we also recognize the importance of a vibrant research program to learning and career opportunities for students, both undergraduate and graduate students. We therefore look forward to working with the Administration and with students to carefully evaluate the

overall cost of a UCSC education. Our goals will include reducing the overall cost while also re-allocating what is paid to optimize the educational experience.

Distinguish Within Budget Units Between More and Less Fundamental Activities

The currently proposed reductions call for approximately 6% cuts to academic divisions and 15.5% to academic and administrative support units. Within the support units are some functions essential to our core research and teaching missions, and other functions less so. In assigning unit cuts, the Administration should distinguish between more and less essential areas and protect what is essential. In order for the cuts to align with the EVC's principles for cutting, it may be necessary to separate out essential functions from support functions and direct principal officers to cut in those support areas while protecting the core areas. The remaining funds need to maximize the efficiency of all the functions.

Budget Reduction Planning and CPB's role

This year confidential budget reduction proposals were distributed to CPB as well as to all principal officers. CPB commends EVC Galloway for creating a more open process of review that enabled the principal officers to understand the challenges of other units and, more importantly, to identify proposed cuts that would directly affect the operations of their own units. In this way, coordination of shifting services and elimination of services can be carefully planned.

CPB's analysis of the budget reduction submissions for 2011-12 was informed by units' proposals from previous years, CPB documentation on budget cuts, as well as other campus documents such as the Bird's Eye View. CPB's examination of budget cutting proposals was hampered by a lack of time for analysis, including the ability to consult with principal officers about their submissions and the lack of information (in some cases) about the entire budget of the unit, not solely what the principal officer presented for cuts. Over several years CPB has persistently pointed to the problem of reviewing budget cuts outside of the context of whole budgets. Again this year CPB was partially information-constrained in the cases where some units did not submit explanatory letters or only discussed proposed cuts and not the larger context of their unit's budget.

CPB's Review of Budget Documents Resulted in the Following Additional Principles

Instruction and Research – These are the core missions of UCSC and must be preserved. The closer a function is to directly supporting the I&R mission, the more its budget should be protected.

Bridge Funds –

- Bridge funds should be provided to activities that can only change slowly, such as curricular obligations as specified in the catalog.
- They should NOT be used to postpone layoffs or delay implementing operational changes.

- They should NOT be provided when there is no proposed restructuring of operations.

Total Cost to Students - Cuts should not be implemented in a way that directly increases the total cost to students. Every effort should be made to *decrease* the cost of a UCSC education to students without compromising its quality.

Transferring Costs - Costs should not be transferred from one unit to another without agreement of all involved units and a sound rationale. Transferring costs between units does not decrease the overall campus budget. The unit that is transferring an activity and its cost must find additional reductions of equal amount within their unit to meet their target.

Shifting Funding Streams – Careful scrutiny should be given when cuts are achieved by transferring a budget to a non-state fund source. There are some situations where this fund shift is appropriate, but consideration must be toward strategically aligning the function with the funding source.

Evaluating Full Budget Proposals – Budgets should be reviewed in their full context so that the choices to protect certain budgeted activities can be compared to the activities selected for cuts. *Note: this did not uniformly occur this year since for some units, the Administration and CPB only reviewed proposed cuts, not full budgets.*

Employment of Students – Restructured units and new initiatives should maximize the use of student workers, especially students qualifying for federal work-study and graduate students.

Small Units – Small units have a threshold budget below which the necessary activities cannot be performed. Cutting small-unit budgets may require either consolidation of small units or smaller budget cuts.

Units Running a Deficit – A deficit-elimination plan should be part of the budget cut proposal. That is, revenues should exceed budget so that the deficit is erased in a foreseeable time frame.

Recharge Units – Units funded by recharge or user fees should take a budget cut similar to other units. The net result should be cost savings to the units that pay for the service through recharge.

Cumulative Impacts – Careful scrutiny should be given to activities that have decentralized funding, such as support for research and for diversity. A review of the overall impacts of individual, uncoordinated budget decisions should be undertaken when it appears that cumulative impacts will not enable the campus to meet its goals in a certain area.

Research Restoration – A comprehensive plan for restoration of support to the research enterprise using multiple funding sources is a crucial part of CPB's budget-cutting recommendation. Since research activities can recover more quickly than instructional activities, research budgets can be cut more than instruction. Acting on this principle requires creating and implementing a plan for reinvestment in research as soon as possible. The research reinvestment plan should cover a 3-5 year period.

Supplemental Stipends for Senior Management - CPB does not support supplemental stipends for senior staff in difficult budget such as these. We all are taking on additional responsibilities.

Principles for Fund Restoration

The overall budget situation is still in flux. Budget cuts at UCOP could return as much as \$4.8 million in permanent funds to the campus. Overall, CPB recommends that no restoration funding be allocated until details are known about the actual budget for 2011-12 and, if more cuts are necessitated, a ‘Plan B’ for further reductions is developed. Should the cuts be less or there be a partial restoration of funds it will likely happen over the summer when CPB does not convene. In the event additional funding is made available, CPB recommends they be allocated by the following priorities. CPB should be further consulted when it reconvenes in Fall 2011.

In addition to the specific restoration of funds to high priority activities that CPB noted in its confidential unit budget reviews to the EVC, we also present the following general principles. CPB recommends funds be restored in this order of priority: research (1-2), instruction (3-5) and finally, essential support functions (6-7).

1. Restoring faculty FTE lines.
2. Restoring research funding to the Vice Chancellor of Research office and COR research grant programs.
3. Supporting the reorganization of admissions and retention activities under academic oversight as described by the SEC proposal of April 22, 2011:
<http://senate.ucsc.edu/sec/SEC-Proposal-to-Restructure.pdf>
4. Restoring Teaching Assistant budgets.
5. Restoring Temporary Academic Staffing (TAS) budgets.
6. Restoring staff support to the Development Office to continue campus fundraising efforts.
7. Improving research infrastructure, including electricity reliability and internet capacity.

Improving the Budgeting Process

Our campus’s budgeting process has for several years been fraught with uncertainty about levels of funding to be received and the timing of when we know what budget we will actually have. These uncertainties have impeded campus planning efforts and Administration-Senate consultation on budget. To proceed with full and effective consultation we first propose continuing the successful process of sharing confidential, pre-decisional budget correspondence between CPB and the Administration. We further suggest that the formal budget consultation process start at the beginning of Fall Quarter so that CPB can review the outcomes from the previous year's consultation. This post hoc reporting has been lacking from previous budget cycles. We suggest that future budget submissions from units provide and justify for *all* unit activities: what is being cut, what is being preserved of that same budget, and what is being augmented. The combination of sufficient time, sharing of confidential materials (already in place), and comprehensive budget proposals that provide a full budgetary picture of a unit, its current budget, proposed changes, and rationale, will enable CPB to fulfill its mission as advisor on this crucial issue of annual campus budgeting.

Respectfully submitted,

COMMITTEE ON PLANNING AND BUDGET

Robert Boltje

Patty Gallagher

Susan Gillman, *ex officio*

Joseph Konopelski, *ex officio*

Sriram Shastry

Gene Switkes

Andy Szasz

Marilyn Westerkamp

Brent Haddad, Chair

Graduate Student Representative:

Erik Green

Student Representative:

Max Perry

Jessica Greenstreet

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