

April 1, 2010

DEANS
DIRECTOR UCO/LICK OBSERVATORY
VICE CHANCELLORS
VICE PROVOSTS
UNIVERSITY LIBRARIAN

Re: Reduction Plans for 2010-11

Dear Colleagues:

Last fall, in anticipation of another round of permanent budget reductions, I launched a planning process to identify options for achieving additional cuts in 2010-11. I am writing to provide an update on our budget prospects and to convey decisions for 2010-11. I greatly appreciate the comments, analyses, and suggestions provided by each of you as well as the advice provided by the Academic Senate's Committee on Planning and Budget. Your perspective helped, in large measure, to shape the 2010-11 budget plan presented here.

Although it may be several months before we know the outcome of the State's budget deliberations, we conservatively estimate the need to implement permanent reductions of approximately \$8.2M in 2010-11. This projection takes into account the estimated revenue generated from the student fee increases approved by the Regents, the cost of the four percent employer contribution to the retirement system, health benefit cost increases, anticipated costs from collective bargaining agreements, and other mandatory costs. If additional cuts beyond what is assigned here become necessary, I will consult with you as we consider the options.

Reduction Priorities

The reductions implemented in 2008-09 and 2009-10 have already had a significant impact on every facet of the campus. These will make the cuts needed in 2010-11 even more difficult. The priorities that guided decisions on the cuts assigned are provided in Attachment I.

2010-11 Reduction Assignments

The reductions have been assigned differentially based on an assessment of the options available within each major area, the cumulative impact of cuts already assigned in 2008-09 and 2009-10, the risk factors inherent in the options, and the feedback and recommendations provided by CPB and each of you.

The distribution of the 2010-11 cuts, by division, is provided in Attachment II. Attachment III places them in the context of the cumulative cuts assigned since 2008-09. As you will note, the cuts assigned in 2010-11 and the cumulative impact of permanent cuts during this three year period fall most heavily on institutional and academic support areas. Although we have sought to protect the academic mission by limiting cuts to instructional and research areas, with each

successive round of new reductions this has become more difficult, and this year's reductions reflect that reality.

	2010-11 Permanent Reduction	%
Academic Divisions	\$3,340,900	3.5%
Academic Support	\$ 723,600	3.9%
Institutional Support	\$4,118,900	6.1%
Total	\$8,183,400	4.5%

Through this process I looked at options for slimming administrative support structures and for realigning functions to optimize functions and service. I have also noted which proposed actions were judged to be unacceptable.

The reduction implemented for 2010-11 will become effective July 1, 2010. I ask that principal officers proceed now to plan for implementing the budget reductions based on the targets assigned in Attachment II. Principal Officers are delegated authority to implement the cuts consistent with the reduction priorities articulated in Attachment I. I may be able to provide a limited amount of temporary support in 2010-11 in situations where immediate implementation would result in serious harm to the core campus mission.

The budget consultation scheduled for April 8 will provide you with an opportunity to very briefly highlight the types of actions that will be required in your division to accommodate the 2010-11 reductions and the impacts of the reductions outside your units.

Thank you for your thoughtful input and leadership.

Sincerely,



David S. Kliger
Campus Provost and
Executive Vice Chancellor

Attachment

cc: Chancellor Blumenthal
CPB Chair Haddad
Senate Chair Kletzer

CP/EVC Priorities in Assessing Budget Reductions

- The academic mission must be protected, to the extent possible, to ensure our instructional responsibilities are met and to support the research environment. This will require us to streamline and rethink our curricular offerings, to maximize the use of our classrooms, to manage the curriculum effectively to ensure students are able to make progress to the degree, and to optimize our research support functions.
- The cost of attending UCSC is an important consideration. This budget plan does not offset reductions in core-funded areas by shifting costs to student housing, our other auxiliary enterprise activities, or to other student fees. I have asked CUHS to keep rate increases as low as possible, and to look for internal efficiencies.
- Generation of extramural and private revenue remains a high priority, and impacts to functions that are critical to achieving this goal should be mitigated to the extent possible.
- The associated risk and impact of reduced or eliminated functions must be considered. For example, service changes that create an inconvenience are more acceptable than reductions that compromise the campus's ability to perform its fiduciary responsibilities, safety services, or legally required functions.

CPB Principles for Investment and Reallocation

The Committee on Planning and Budget has developed and adopted these principles to help guide its deliberations. We will apply the principles to procedural and substantive issues related to campus planning and budgeting. These principles are consistent with CPB positions in recent years and with broader campus values. Their purpose is to provide the ability to weigh alternatives and reach conclusions and recommendations that have ethical consistency and are rooted in historic and current campus values.

1. UCSC is a public research university committed to the tripartite mission of instruction, research, and service. Given the demographic profile of California, UCSC must address the academic needs and aspirations of a diverse student population. The dissemination of knowledge (instruction) and creation of knowledge (research) are the services that UCSC provides to society.
2. Equal resource distribution is a lower priority than differential resource distribution based on potential for or evidence of excellence in instruction, research, and service. It must be acknowledged that certain areas of instruction, research, and service will not be a priority at UCSC. Intellectual leadership is needed to make these judgments. The sources of intellectual leadership are the faculty and campus academic leadership.
3. Investment of resources in academic support units must be clearly justified in terms of satisfying or advancing the academic mission and meeting basic legal obligations of the campus.

2010-11 REDUCTION ASSIGNMENTS

	2010-11 Perm Reduction	%
Arts Division	\$338,500	3.1%
Humanities Division	\$483,000	2.7%
Physical & Biological Sciences	\$1,006,000	3.5%
Baskin School of Engineering	\$564,600	4.0%
Social Sciences Division	\$917,900	4.0%
UCO Lick Observatory	\$30,900	5.5%
<i>Subtotal Academic Divisions</i>	\$3,340,900	3.5%
Division of Graduate Studies	\$85,500	11.0%
Vice Chancellor Research	\$70,000	3.2%
Library	\$180,000	1.9%
Silicon Valley Center	\$120,000	10.1%
UG Edu, SS, and Colleges	\$268,100	5.5%
<i>Subtotal - Academic Support</i>	\$723,600	3.9%
Bus & Admin Svcs	\$1,700,000	6.5%
Chancellor's Office	\$120,000	9.0%
Campus Provost/EVC Office	\$28,000	2.1%
Academic Senate	\$45,900	5.5%
Academic Personnel Office	\$41,600	5.5%
Planning and Budget	\$116,800	5.5%
ITS	\$1,344,600	6.5%
Student Affairs	\$662,000	7.5%
University Relations	\$60,000	1.1%
<i>Subtotal - Institutional Support</i>	\$4,118,900	6.1%
TOTAL	\$8,183,400	4.5%

3 Year View of Permanent Budget Cuts

ATTACHMENT III

	2008-09 Permanent Reduction	2009-10 Permanent Reduction	2010-11 Permanent Reduction	3 Year Total	% of 09-10 Core (i)
Arts Division	\$133,000	\$625,000	\$338,500	\$1,096,500	9.4%
Humanities Division	\$109,000	\$1,390,000	\$483,000	\$1,982,000	10.3%
Physical & Biological Sciences	\$372,000	\$1,598,000	\$1,006,000	\$2,976,000	9.3%
Social Sciences Division	\$184,000	\$1,807,000	\$917,900	\$2,908,900	11.4%
Jack Baskin School of Engineering	\$147,000	\$834,000	\$564,600	\$1,545,600	10.1%
UCO Lick Observatory	\$59,000	\$56,000	\$30,900	\$145,900	20.3%
<i>Subtotal - Acad Divisions</i>	<i>\$1,004,000</i>	<i>\$6,310,000</i>	<i>\$3,340,900</i>	<i>\$10,654,900</i>	<i>10.2%</i>
Division of Graduate Studies	\$22,000	\$92,000	\$85,500	\$199,500	19.9%
Vice Chancellor Research	\$97,000	\$140,000	\$70,000	\$307,000	11.7%
Library	\$364,000	\$1,549,000	\$180,000	\$2,093,000	18.0%
Silicon Valley Center	\$0	\$0	\$120,000	\$120,000	10.1%
UG Education, SS, and Colleges	\$0	\$444,000	\$268,100	\$712,100	13.4%
Arboretum (ii)	\$0	\$130,000	\$0	\$130,000	100.0%
<i>Subtotal - Acad Support</i>	<i>\$483,000</i>	<i>\$2,355,000</i>	<i>\$723,600</i>	<i>\$3,561,600</i>	<i>16.2%</i>
Business & Administrative Svcs	1,681,000	\$1,757,000	\$1,700,000	\$5,138,000	16.4%
Chancellor's Office	\$64,000	\$70,000	\$120,000	\$254,000	17.3%
Campus Provost/EVC Office	\$100,000	\$203,000	\$28,000	\$331,000	19.2%
Academic Senate	\$0	\$113,000	\$45,900	\$158,900	16.2%
Academic Personnel Office	\$0	\$127,000	\$41,600	\$168,600	17.5%
Planning and Budget	\$108,000	\$197,000	\$116,800	\$421,800	16.5%
Information Technology Services	\$191,000	\$2,477,000	\$1,344,600	\$4,012,600	15.7%
Student Affairs	\$224,000	\$2,113,000	\$662,000	\$2,999,000	13.6%
University Relations	\$44,000	\$500,000	\$60,000	\$604,000	9.4%
<i>Subtotal - Institutional Support</i>	<i>\$2,412,000</i>	<i>\$7,557,000</i>	<i>\$4,118,900</i>	<i>\$14,087,900</i>	<i>15.1%</i>
TOTAL (excluding central and CUHS)	\$3,899,000	\$16,222,000	\$8,183,400	\$28,304,400	12.9%
Auxiliary Enterprises (CUHS) (iii)	\$0	\$2,017,000	\$0	\$2,017,000	
Central Reduction	\$626,200	\$1,224,000	\$0	\$1,850,200	
Total Permanent Reduction	\$4,525,200	\$19,463,000	\$8,183,400	\$32,171,600	

(i) The core budget is the permanent budget. Funds included: General Fund, Lottery Fund, UOF, OTT, Ed Fd, BTP, ITTP, IU, academic preparation funds, and registration fees. Funds excluded: purchased utility budget in BAS, endowment income, recharge and self-supporting income, campus mandatory fees, user fees, and miscellaneous other funds such as "Be Smart About Safety" or continuing funds from OP. The percentage was calculated as follows: the 3 year total cuts divided into the 2009-10 core budget after adjusting for the 2008-09 and 2009-10 cuts and any funding received from the employee benefit rebate.

(ii) The cut assigned in 2009-10 eliminates the annual subsidy provided from central funds.

(iii) Auxiliary Enterprises are non-instructional support services provided primarily to students in return for specified charges. Services include residence and dining services, parking, and the bookstore. No State funds are provided for auxiliary enterprises. Auxiliaries receive a range of services from core-funded academic support units, such as police, fire, general accounting, payroll, staff HR, labor relations, etc. As self-supporting entities, auxiliaries pay an auxiliary assessment (akin to an overhead assessment) for these core-funded services. In 2008-09, a portion of the auxiliary assessment (\$250,000) was applied to the campus's mid-year temporary budget cut. In 2009-10, \$2.017 million will be applied to the campus cut.