

## **CPB Report to the Senate February 2004**

### *EXECUTIVE SUMMARY*

*CPB issues this report to the Senate in order to engage the faculty in the critical planning and budget issues that now face the campus. We have important choices to make in the context of the state budget crisis and the recent changes in offices of the Governor and the Campus Provost/EVC.*

*At UCSC, the state economic crisis will result in a presently estimated cut of 10-12% of total state operating funds, which we must treat as permanent (i.e., a reduction to the annual budget in this and subsequent years). In the meantime, the ongoing Executive Budget Committee (EBC) process has produced data indicating that significant permanent savings may be gained through reorganization of business and information technology functions, among others, and certain other academic support functions at UCSC. However, we now know that these potential savings will not be realized for two to five years and, in some cases, will require substantial, one-time investment. While CPB believes that the EBC process should continue, the immediacy of the budget crisis requires the Senate to recognize that key choices will have to be made over the next several months in how and where the inevitable cuts in other state funded areas will be assigned. In making these choices, we recommend that two principles should guide us: (1) strategic cuts are preferable to across-the-board cuts, and (2) all cuts should be pursued as far from the classroom and research lab as possible.*

*Based on data provided by the administration, CPB is now in a position to advise the administration, and later to report to the Senate. It is neither inevitable nor desirable, we believe, that undesignated cuts be taken primarily by reducing instructional expenditures per student or by a freeze on new faculty hiring or on replacing vacant faculty and academic support staff positions. As a result of the EBC process, we now have a clearer idea of what efficiencies are possible in non-academic areas of campus management, and what resources may be available to finance the lag between realizing the cost savings from those efficiencies and the immediate need to cut campus spending. Furthermore, it may be possible to create a short-term cushion, to mitigate the impact of cuts on academic and research programs during this transition period, by redeploying a combination of funds from sources such as unfilled staff and faculty FTE and positive year-end balances. Using this cushion may in some cases require payback, thus merely postponing the need for permanent reductions. These resources may also be used to maintain strategic flexibility at central, divisional, and departmental levels, and to help finance the longer-term transition to more efficient campus management processes. After these measures are put in place, the remainder of the cuts would be absorbed by the academic and research units, in accordance with a series of priorities and principles to be developed in coming discussions.*

*CPB believes that a plan in which strategic cuts precede across-the-board cuts will require significant faculty input to be successful. We issue this report as a first step, to inform the faculty of the basic choices facing us and to suggest ways of actively shaping those choices.*

## **Background**

CPB's highest priority over the past several years has been to protect and, where possible, expand the proportion of enrollment-generated funding directed to the core campus mission of instruction and research (I&R). We have previously reported to the Senate the degree to which the budget cuts of the early 1990s disproportionately impacted I&R, and we have strongly supported the administration's efforts to fill budgeted FTE, expand graduate and research programs, and achieve higher levels of efficiency in campus administrative and support functions.<sup>1</sup> As we have argued, the success of these efforts is essential for the growth and advancement of our mission as a public research university.

For the past year we have been engaged in the Executive Budget Committee (EBC) process (<http://planning.ucsc.edu/ebc/>), which has analyzed campus expenditures, primarily outside the areas of I&R, such as staff human relations, payroll, purchasing, invoicing, business information technology (IT), and facilities maintenance. The EBC process was initiated by former CPEVC Simpson to provide information necessary to achieve budgetary savings and to help offset and potentially obviate the need for across-the-board cuts because of statewide budget shortfalls. Although the data gathering on costs (especially in the area of business IT) is only now being completed, there is reason to believe that some of our decentralized processes can be centralized and thus be more efficient, enabling the campus to reduce costs and increase capacity. This will align us with what other institutions of similar size and capacity spend.

Data made available to us demonstrate that the potential for permanent annual cost reductions is very large in the area of campus business functions — and should be significantly larger when the studies of facilities maintenance and business IT are complete. It is also certain, however, that significant one-time investments in software and organizational infrastructure will be needed to implement some of the necessary changes. We, nevertheless, believe that the campus must reorganize its management of these functions to achieve accountability, control costs, monitor quality, and provide users with more uniform and predictable levels of service.

Progress in the EBC data-gathering and project implementation has been slower than originally expected.<sup>2</sup> In December 2003, we learned that the estimated timeline for achieving significant cost reductions through the EBC initiatives is now possibly two to five years. This means that the new processes may not provide short-term budgetary relief, and that our ability to make transitional investments is in some jeopardy. There is also disagreement within the EBC process about how large the likely long-term financial savings will be. Analyses of comparative data — the cost of “best practices” at similar institutions — yield estimates of the annual permanent savings to be \$10-20M (if all the proposed initiatives from all fund sources were pursued to their full potential), gained largely through reductions in staff FTE. Whether this estimate can be realized remains to be determined. Clearly, the proposed reorganization must yield a large and predictable payback if it is to finance itself and mitigate the future need for permanent cuts in instruction and research.

We are concerned that over the past six months, the need for immediate budget cuts and the budget reorganizations that will occur through the EBC initiatives have become largely separate processes. There is, thus, a danger that short-term budget cuts will be passed on to the academic

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<sup>1</sup> <http://senate.ucsc.edu/cpb/index.htm>

<sup>2</sup> For our earlier assessments see [<http://senate.ucsc.edu/cpb/index.htm>].

and research enterprise, as they have been in the past, notwithstanding the potential cost-reductions that we now know to be achievable in non-academic areas.

This report provides a rationale for integrating immediate budget cuts imposed by the State with the EBC process. We suggest specific measures that would allow the campus to continue building breadth and depth in its instructional and research enterprise by making informed choices based on campus priorities. While the magnitude of the pending budget cuts will necessitate budget reductions in I&R functions, these cuts can be minimized through the wise use of the campus's existing budgetary flexibility by borrowing against the longer term efficiency gains that are achievable outside the I&R functions.

### **Analysis**

Our campus administration faces difficult choices in the next few months, and it is important that CPB share its own sense of what these choices are. The Regents and UCOP will decide the extent to which net budget reductions will be passed on to the campuses in the form of designated and undesignated cuts. With respect to designated cuts, we will have choices about whether and how far to offset them using other budgetary sources. (For example, the CPEVC has committed to wholly or partially offset a possible increase in graduate fees and out-of-state tuition for next year.) It is now time to anticipate that the campus will have substantial undesignated cuts and to articulate the principles that should guide our choices.

The campus *chooses* how to implement undesignated cuts. To understand this choice, however, it is useful to distinguish (1) the magnitude and location of budgetary sources on-hand that the campus will use to take budget cuts and 'pay back' the state in the current fiscal year, and (2) the impact of the depletion of these budget sources on the operating budgets and positive cash balances (both obligated and flexible) and functions of the various units. While we may not know until the summer how much campus funding UCOP will reclaim in the form of undesignated cuts in the next fiscal year, it is clear that the negative effects of these cuts can be mitigated through a balanced approach based on better understanding of our budgetary and managerial choices.

CPB's thinking about undesignated cuts has been informed by the following points:

- In a public institution, any previously unbudgeted expense – whether a purchase or an operating loss – will be paid by the campus administration out of **uncommitted revenue flows** (open FTE) and **available carry-forwards** (the surplus left in campus budgets at the end of each fiscal year).<sup>3</sup> These sources of financial flexibility reflect the **internal debt-capacity** of the campus.
  - Our internal debt-capacity is regularly used to fund both one-time investments and annual operating losses.
    - Some necessary **one-time investments**, such as the new time-and-attendance system (\$1-2M) are expected to pay for themselves quickly, and then return money to the campus through reduced operating costs. Others, such as the Academic Information System (\$15M) will pay for themselves gradually, if at all.

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<sup>3</sup> The short-term interest UCOP pays on carry-forwards is treated as unrestricted income to the campus, the uses of which lie beyond the scope of this Report.

- Annual **operating deficits** attributable to self-supporting units, such as UC Extension (accrued so far at >\$9M) are booked as debt to campus carry-forwards that is ultimately recoverable from end users, for example, through higher fees. The campus may also draw down carry-forwards to offset annual deficits in State-supported functions, such as instruction. None of these choices are sustainable over time.
  - Year-end budgetary balances, or carry-forwards (whether encumbered or unencumbered from an accounting standpoint), are like a bank – a source of one-time funds that the campus uses to cover expenses and losses, sometimes (but not always) with the expectation of repayment from future revenue streams. The campus’s ability to use carry-forwards for this purpose is, however, limited by the need to keep a percentage of its funds on hand to meet expected obligations and unexpected contingencies.
- A second element in the internal capacity of the campus to finance debt is the revenue flow from FTE that uncommitted (or presently unfilled).
  - There are ~ 753 total budgeted faculty FTE<sup>4</sup> at UCSC (2003-2004 academic year)..
    - Of this total, ~633 FTE are held by the academic divisions and schools as follows:
      - ~487 FTE are currently filled by ladder-rank faculty
      - ~ 49 FTE<sup>5</sup> are permanently budgeted to the academic divisions for ladder rank faculty searches, pending hires, and past searches that were not reauthorized.
      - 97 FTE are permanently budgeted to the academic divisions and schools, and are used for a variety of purposes, such as temporary academic staffing.
    - Of the remaining FTE, 119 are held centrally and allocated as follows:
      - 43 FTE are used to meet college core course teaching needs (18), adjust for fluctuating divisional enrollment (18), and support faculty fellow.
      - ~15 are used to buyout academic administrators.
      - ~57 FTE are held centrally and not committed for specific purposes.
  - The campus as a whole is required to keep 10% of its 753 FTE (~75) unfilled by ladder faculty.
    - The campus currently keeps ~197 budgeted FTE (26%) in this category, consisting of 97 currently held in the divisions and 100 held centrally.
    - There are an additional 52 FTE permanently budgeted for ladder faculty recruitments that are presently authorized, or that were previously authorized but are not currently underway.

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<sup>4</sup> Because of rounding of partial FTE to integer values, some numbers are indicated as approximate (“~”).

<sup>5</sup> An additional three are held centrally, two of which are earmarked for the Campus Curriculum Initiative.

- The administration's present budgetary flexibility results from open FTE in the academic divisions, the central reserve of 57 open FTE and (to some extent) the 52 FTE that have been authorized for recruitment but are currently unfilled.
  - Most of this flexibility is used to hire non-ladder faculty, fund administrative buyouts, startup packages, etc.
  - Some of this flexibility provides a revenue stream that can be used to finance one-time expenses (e.g., for infrastructure) and to cover operating losses in individual units.
- Additional budgetary flexibility could result from changes in how FTE not presently allocated to ladder rank faculty are used in the future.
- Whatever the amount of undesignated cuts, the campus must decide they will be reflected in the form of reduced operating budgets; reduced budgetary carry-forwards; and reduced faculty hiring. (Generating new revenue through fundraising and extramural support could in the future mitigate budget shortfalls.)<sup>6</sup>
  - Budget cuts in the early 1990s were funded by freezing unallocated FTE and uniformly reducing the operating budgets of most units without considering the size and use of their carry-forwards. This reflected an implicit choice to leave existing carry-forwards in place, and to grant unit managers the greatest discretion in offsetting campus-wide cuts. Earlier CPB Reports have documented the detrimental effects of this past approach on campus academic development and planning, *and the skewing of resources away from instruction and research.*<sup>7</sup>
- In the future, such negative effects can be mitigated through a more balanced approach based on better understanding of our budgetary and managerial choices.

### Choices

The CPEVC will notify the units and academic divisions regarding the size and scope of cuts in I&R and academic support. Plans for these cuts are to be completed by mid-March. These plans will then be reviewed by the relevant Senate committees prior to implementation. Unfortunately, many permanent cuts cannot be implemented for the next year because curricular commitments, graduate admissions, and lecturer hiring are already underway or completed.

The campus has choices to make now about how it will use its available budgetary flexibility to meet the undesignated budget reductions passed on by UCOP from the state until the cuts to the permanent budget can be implemented. The following examples illustrate some of the choices that should be considered in the coming months.

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<sup>6</sup> There are longstanding concerns with the progress of campus fundraising. (<http://senate.ucsc.edu/cpb/cpb1372.htm>). Improved fundraising, however, cannot be factored into the present analysis of short-term budget strategies.

<sup>7</sup> See CPB report: <http://senate.ucsc.edu/cpb/cpbscp1374copy.htm>

- **Unallocated FTE:** The administration can choose to selectively draw down unencumbered carry-forwards to finance infrastructural investments, and thereby release more of the enrollment-generated open FTE to the academic units. The advantage of such a strategy would be that faculty hiring can continue and that the campus can continue planning for the future; the disadvantage is that some non-academic functions in Enterprise Technology, Student Services, and BAS may be affected as the budgetary flexibility of those units is redirected towards the core academic and research mission of the campus. (Enterprise Technology and Student services each showed carry-forwards of c. \$10M, unadjusted for encumbrances.)
- **Operating Budgets:** The central administration can choose how much it is willing to pay for academic support functions (above a necessary minimum) when the alternative is to cut I&R. It should then provide the optimal level of service at the designated spending level. This will require reducing the base operating budgets of existing units to reflect the removal of functions (e.g., purchasing, human resources) that will in the future be centralized.
- **Carry-forwards:** The central administration can choose to borrow some portion of encumbered funds for campus-wide use provided that sufficient funds are always available to cover campus obligations as they occur. Even if all carry-forwards were encumbered (from an accounting standpoint), some portion of the total could still be leveraged in this way. Total carry-forwards on the campus are substantial (c. \$48M in 2002-2003), though most of these funds (\$27.5M) are formally encumbered. (This figure does not, however, reflect the flexibility that unit heads may have to encumber unspent funds at year-end.) A large portion of the unencumbered remainder is obligated to support necessary campus functions in academic and non-academic units.

**However, the central administration can choose, to some extent, to redeploy these unencumbered carry-forwards to alternate campus uses.** Unencumbered carry-forward funds often represent an important source of flexible funding that units use to achieve their objectives and pursue strategic opportunities. Many units have developed dependency on these carry-forward and may, thus, come to feel a sense of ownership of their carry-forwards based on past practice and future expectation. The central administration may respect this sense of ownership in different degrees by using metaphors of “borrowing” or “taxing” when it takes back some unspent part of a unit’s past budget that it previously allowed that unit to keep. With this in mind, we might distinguish among unencumbered carry-forwards in the following ways:

- **Entitlements:** Carry-forwards can enable a public institution to give budgetary expression to its internal promises. The carry-forward of faculty startup packages and research grants is an example: these should be treated as fully encumbered funds, at least for a period of years. This status, however, need not prevent the administration from borrowing against encumbrances that will not be drawn down for a period of years – although it might also be required that the ‘holder’ of the research fund consents and that the fund itself receives interest. (A substantial portion of the carry-forwards of the Academic Divisions reflects startup packages associated with recent hires, some portion of which could be borrowed as described above).

- *Investment reserves:* Unencumbered carry-forwards are often associated with planned or potential investments to which a campus unit has not fully or finally committed. A good example of this is the part of the year-end balance in Student Services that is maintained in anticipation of Colleges Eleven and Twelve. Although there may be good policy reasons not to do so, the central administration has full discretion to recapture all or part of these sums. The campus might, as in our earlier example, encumber some of the large carry-forwards in Student Services, Technology/Media, and BAS to fund one-time capital investments in these areas, such as the new student records and billing system (AIS) that is currently financed by the revenue stream from open FTE. The campus might either “borrow” (repay) or “tax” (not repay) these accumulated funds, and it might do both to different degrees.
- *Incentives for good management:* Some carry-forwards are left in place – not because their use is encumbered – but so that *other* funds will be well used. The concern here is that, if unit managers expect to return their annual savings in the form of dollar-for-dollar reductions in their next year’s operating budgets, they will have no incentive to underspend their base budget. Campus policies that reward prudent management, however, need not entitle managers to keep 100% of their savings in the form of discretionary funds. Partial taxation of unencumbered carry-forwards should be considered to fund one-time campus investments that might otherwise necessitate withholding enrollment generated FTE.

*Strategic Expectations:* Some carry-forwards are accumulated for the purpose of riding out budgetary cycles. The rationale for this strategy is that in times of retrenchment, campus units will be expected to absorb uniform cuts in their operating budgets without regard to the size (or rationale) of their carry-forwards. In the current budget situation, the campus may have to make a principled choice between honoring these expectations and sacrificing the quality and growth of our academic and research programs. A decision to recapture some carry-forward funds is not necessarily bad for strategic planning. Other (possibly better) strategies might be adopted in the future if managers expected both their current and accumulated revenues to be taxed in times of campus-wide budgetary retrenchment. For the present, the central administration might appropriately mandate that Divisions spend a portion of their strategically accumulated reserves on campus-wide needs, such as maintaining instructional integrity in basic writing and quantitative methods courses.

In sum, the campus has budgetary choices in periods of retrenchment, just as it does in periods of growth. The campus’s first choice is what portion of centrally-held FTE should be designated for recruitment or relinquished. Second, the campus must choose whether to use data from the EBC process to adjust base operation budgets of specific units before any across-the-board cuts are made to all units. CPB believes that it should set high targets for the cost reductions achievable in the newly centralized functions that will come out of the EBC process, and have the managerial will to reach those targets.

Third, and finally, the campus must choose an optimal balance between reducing operating budgets (income) and reducing the positive cash balance (wealth) that units have been allowed to carry forward. This choice should aim at an equitable internal distribution of scarce resources without creating misincentives to spend rather than to save. In the case of a public research

university, however, as we all agree, there is also an overarching purpose – the preservation and advancement of our academic and research mission.

### **Recommendations**

We offer the following recommendations, hoping to minimize the detrimental impact of cuts on academic and research enterprises to the greatest extent possible, and to support the campus's commitment to achieve greater functional and budgetary efficiency through the EBC process.

#### *1. Campus-wide budget cuts*

- (a) For every proposed cut, we recommend an **accounting** of the amount of the cut, the cost-savings, the effect to the base budget of the unit, and where savings are recaptured.
- (b) It is critical to consider what **adjustments must be made in current base budgets before across-the-board cuts can be fairly imposed**. In so doing, CPB recommends the use of existing EBC data, based on comparable institutions that identify units where cost-savings or greater efficiencies may be achieved. Only after these differential adjustments have been made in administrative, support, and service budgets should cuts be targeted to I&R functions.
- (c) It is also critical for the campus to conduct a review of **carry-forwards in each unit, identifying the precise amount as well as the purposes for which they are intended**. We will then be able to craft a policy for reallocating some subset of those funds. Some analytical techniques for reassigning carry-forwards may include preserving those essential to everyday department operations; “borrowing” some portion of the funds with a plan to repay with some kind of “interest”; and differentially taxing the current operating budgets of units that wish to keep a greater proportion of their reserves to meet future needs. Campus policies on the use of carry-forwards should be transparent and justified based on the mission and priorities of both the unit and the university as a whole.
- (d) Units with chronic operating deficits and/or negative carry-forwards need to be identified and individually analyzed in order to **optimize the campus use of its internal debt-capacity** during the present fiscal crisis, and to remediate any negative budgetary impact on the campus's core academic and research mission.
- (e) Although the central administration may continue to hold in reserve a substantial number of unfilled FTE, it should not retain all of this year's increase by imposing a near-freeze on ladder faculty hiring. It should, rather, allow for **continued hiring** (perhaps at a slower rate) for the next 2-3 years in order to support ongoing program planning and development. Revenues from the remaining unfilled FTE may be apportioned to help phase in budget reductions, to make necessary investments, and to help generate start-up packages.

#### *2. Academic support-unit budget cuts*

- (a) The **levels of service** that can be provided at reduced funding levels must be clearly defined, with alternative scenarios offered whenever possible.



- (b) When alternatives for reducing budgets are identified, the **affected constituencies should be consulted** about which outcomes are preferable.
- (c) For every proposed cut to business and academic-support functions, the campus should develop a metric to assess the **balance between reduction in level of service and the effect of savings on the instruction/research mission**.
- (d) The campus should have **timelines and benchmarks** for achieving expected cost-reductions.

### 3. *Academic unit budget cuts*

There is no disagreement among the various campus constituencies, faculty, students, staff, and administration, about the fundamental need to protect the academic/research mission, as noted above. The challenge faced by CPB is to determine whether the maximum possible reductions have been taken first from business and academic-support functions and whether academic quality has been sustained.

- (a) The same care taken in the EBC process to identify efficiencies and cost-savings in academic support functions should be applied to inform the allocation of cuts to academic units. Cuts applied uniformly will impact the most efficient departments, adversely and unevenly compromising our academic and research mission. **Curricular efficiencies are desirable where they would not reduce academic quality or where they free curricular resources for other, better uses in the academic and research mission.** The foregoing recommendations are not intended to preclude discussion of such possibilities, many of which fall within the central purview of other Senate committees, including CEP, GC, CAFA, COR, and COT. **Consultation with all relevant Senate committees must occur before final cuts in instruction and research are implemented.**
- (b) Because of our campus aspirations to realize our role as a public research university, growth in graduate student enrollment, in absolute numbers and relative proportion to undergraduates, is critical. **Graduate student financial support (recruitment, retention, timely progress) must not only be maintained to the fullest extent possible, but should increase** in order for UCSC to advance its goals in the area of graduate education. Cost of services provided to graduate students (e.g., on-campus housing, health insurance) must be set in relation to typical graduate student income from UCSC support.
- (c) Because UCSC must also honor its commitment to innovative undergraduate education for a diverse student population, **we need to ensure that first-year education is not neglected** during these difficult times. This means avoiding formulaic cuts, in particular, in such educational settings as college core courses and writing courses where students' future success in higher education is at stake. With the elimination of outreach programs that have traditionally targeted underrepresented students, we must be especially attentive to supporting **students** in their transition into the university and to **preserving pedagogical** integrity, even as we absorb budget cuts.
- (d) Preserving access for undergraduate students across the range of UC-eligible students is critical to meeting our obligation to the state and its population. **We must maintain access and ensure a diverse student body** representative of the state population.

## **Conclusion**

Meeting the permanent budget cuts in state support to UCSC will not be possible without permanent reductions (1) in curricular offerings, especially those funded by temporary academic staffing funds, and (2) in academic support staff in the academic divisions and schools. Use of one-time money (like unallocated and uncommitted carry-forwards and unfilled faculty (FTE) can allow temporary flexibility, but it does not solve the permanent budget issue and, in fact, reduces future flexibility.

We are grateful to VC Michaels and CPEVC Simpson and Chemers for allowing us unprecedented access to campus financial data and to the campus management data collected in the EBC process. These data have allowed the Senate to engage in a level of analysis that was not possible in previous budget crises, and, we believe, it will allow the campus to make better choices. The goal of this report is to inform our colleagues of what those choices are; in future reports we will be able to describe what the choices *were*, and what questions remain. To this end, we continue to update our budgetary metrics showing, in good times and bad, the relative proportion of campus funds going to support the I&R mission.

We also seek a better understanding of the internal sources of financial flexibility provided by the revenue streams from open FTE and the existence of substantial carry-forwards. CPEVC Chemers has recently asked unit heads for detailed information on how they manage internal finances. With this information, he will be able to analyze how the campus presently uses its flexible funds and create a plan for managing them.

CPB intends to sustain our productive dialogue with the administration and with other Senate committees, our gathering of relevant data, and our continuing communication with the larger Senate during this difficult period. We believe that shared governance has never been more important in preserving the integrity of the university.

## UCSC – Background Fact Sheet

### ***Operating Budget for 2003-04 Budget -- \$407.7 million***

- State -- \$155.5 million
- Tuition/Fees -- \$101.7 million
- Extramural Support -- \$81.6 million
- Self supporting activities -- \$57.5 million
- Other -- \$11.4 million

Estimated 2004-05 reductions in state funding for UCSC of nearly \$9 million not targeted for specific programs and an additional \$5.2 million targeted specifically for Outreach programs. These estimates are based solely on the Governor's proposed budget and are in addition to the \$5 million reduction in 2003-04 that was allocated on a one-time basis that must now be allocated out permanently. Please note that these are estimates, to be used for planning purposes only. The reductions could be higher, or they could be lower depending on the actions taken by the Legislature and The Regents). The \$9 million reduction in state funds not targeted for specific programs is derived as follows:

- Changes in student faculty ratio -- \$2.2 million
- Enrollment reduction -- \$1.7 million
- 7.5% reduction in academic and institutional support -- \$2.7 million
- Undesignated -- \$700,000
- Research -- \$180,000
- Mid-year cuts to current budget -- \$1.5 million

These estimates do not reflect increased costs that will need to be covered in 2004-05 including, for example, \$2.4 million for the operation and maintenance of plant and an estimated \$1.2 million to pay for TA Fee Remission (contractually obligated). For planning purposes the combination of prior year, mid-year, and proposed reductions as well as costs that must be covered translate in to a potential budget reduction of nearly \$17 million (excluding Outreach), or about 11% of that portion of UCSCs general fund supported by the state.

### **Phasing in Reductions**

Meeting the permanent budget reductions in state support to UCSC can not happen without reductions in (a) in curricular offerings, especially those supported by temporary academic staffing money, and (b) in academic support staff. Use of temporary money (from unfilled FTE or from one-time money derived from year end balances) can provide temporary flexibility, but does not solve the permanent budget problem and reduces future flexibility.

The campus has \$48 million in year end balances, from all fund sources, of which \$27.5 million is contractually committed and encumbered. The remaining \$20.5 million, from all fund sources, is committed by academic and academic support units for a variety of purposes including for example, faculty start up, grant matching funds, technology projects, retroactive salary increases from bargaining, prudent reserve, and other uses. In addition, a combination of subsequent one-time and permanent cuts from the state have further reduced these balances.

Total Budgeted Faculty FTE – 753 FTE. In addition to supporting ladder rank faculty FTE these positions support SOE, lecturers (temporary academic staffing), academic administrators, and the instructional Workload Fund.

Budgeted faculty FTE held centrally but not permanently committed – 56 FTE