

COMMITTEE ON PLANNING AND BUDGET

Annual Report, 2011-12

To the Academic Senate, Santa Cruz Division:

Introduction

The Committee on Planning and Budget (CPB) conducted business this year in the context of continued stress imposed by decreasing state support for the University of California. Campus programmatic and financial planning has been difficult in light of the budget uncertainty associated with the coming November 2012 ballot initiative, and the additional cuts precipitated should the measure(s) fail to pass. In Fall, Campus Provost and Executive Vice Chancellor (CPEVC) Galloway initiated the budget call review process with the campus' principal officers, on whose submissions CPB reviewed and consulted with the CPEVC in late Spring. Included in the review were one-time funding cuts for 2012-13 (fiscal year 2013 or FY13) and a permanent reduction target of \$8M in FY14, which represents a possible midpoint of the roughly \$4M-18M cut our administration estimates UCSC may face during the 2012-13 academic year due to a state budget "trigger" cut.

CPB also considered the implications of UC's funding initiatives, and their net benefit to our campus as UC funding levels change. Funding trends from 2010-11 continue, with greater reliance on student fees and tuition, overall reduction in state funding, and changing roles and relations between individual UC campuses and the UC Office of the President (UCOP). However, with the rebenching proposal, what new money is directed to UC will be apportioned with increased campus parity. In addition, CPB has been updated on the rebenching task-force's work, and concurred with the CPEVC's decision to apportion "rebenched" funds for 2012-13 to new faculty lines to address current faculty shortages.

In addition to the Budget Reviews, CPB continued its work to understand the total cost of UCSC to students. The committee also took up several projects, including review of the realignment of Student Services, Summer School, Silicon Valley, and Retention. The Retention sub-committee has been working to understand UCSC's comparative statistical shortfall in graduation and retention rates. The work of this sub-committee will continue in 2012-13, with a strong partnership established between continuing members and the Planning and Budget Office of Institutional Research.

Below we present key aspects of CPB's deliberations, reports, and recommendations to the Senate and campus administration in 2011-12.

2011-12 Budget and Budget Process

Using the guidelines set forth by the CPEVC in her letter of March 15, 2012, CPB evaluated how consistently and effectively they were followed. In addition to the previously-identified principles from CPB's 2010-11 budget recommendations, CPB identified several new principles by which we reviewed unit proposals. (see Appendix A for the complete list).

Elimination of unnecessary and costly risk aversion – Many UCSC units maintain practices that exceed mandated standards and/or reflect past over-commitments to risk aversion. Where

possible and prudent, such practices should be eliminated to reduce costs, work hours and improve efficiency.

Reduction/removal of bureaucratic layering – In keeping with the varied UC-wide and campus initiatives, all overlaps in unit/positional functionality should be investigated for possible integration or elimination.

Shifting functions to appropriate fund sources – Based on the previously identified principle “Shifting funding streams,” in this cycle we noted several appropriate fund shifts. UCSC has historically used state funds (19900 funds) to support functions for which other fund sources could/should be used. The proper direction of funding sources to their intended uses is a critical stewardship issue for our campus so that 19900 funds are directly supporting the instruction and research mission. This exploration should be pursued with an awareness of the concerns expressed in the previously identified principle about “Transferring Costs” (2010-11).

Effectively promote self-funding in units – In our review of the administrative units, CPB became aware that many were dependent upon central funds when they had the capacity to fund themselves at higher levels through the revenue they produce. We recommend that the campus consider encouraging revenue-producing units to use their revenue in order to fund their services at high levels. Such a program should be set up so as to incentivize revenue production.

Finally, we want to reinforce the centrality of research to the campus. Over the past four years, research has taken a larger share of cuts in order to preserve resources for instruction. CPB believes that this decrease in research funding should be halted; the campus should develop a comprehensive plan, using multiple funding sources, to restore support to the research enterprise. Acting on this principle requires creating and implementing a plan for reinvestment in research as soon as possible. This planning could be part of, or parallel to, the efforts of individual divisions to plan for the future shape of the campus. The research reinvestment plan should cover a 3-5 year period.

CPB’s analysis of the current budget submissions was informed by units’ proposals from previous years and CPB documentation on budget cuts, as well as other campus documents such as Planning and Budget’s *Bird’s Eye View* and the *Operating Budget Summary* report. CPB noted that in many cases units planned to use carry forward balances to absorb all or most of their one-time cuts for FY13. While this poses no specific problem, this strategy made it difficult for CPB to understand the impact of these cuts as well as the ramifications for plans to implement permanent cuts in FY14. CPB strongly encouraged the CPEVC to request supplementary data on carry forward funds used for FY13 budget cut scenarios because many units rely on the discretionary spending of carry forward funding for basic operations. The one-time funding spend out plans may require the elimination of activities or funding restoration in the future. 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’s review and effectiveness was limited in the cases where some units did not submit explanatory letters or only discussed proposed cuts, but not the larger context of their unit’s budget. Without a discussion of complete budgets, neither CPB nor the Administration is in a position to fully evaluate the principal officers’ proposed cuts and augmentations.

CPB submitted on June 4, 2012 a confidential, detailed 15-page letter analyzing the budget submissions of all campus units and providing recommendations. CPB linked all its recommendations to budget principles it believes will best serve the campus.

Rebenching

In 2008, under the pressure of continually declining state resources, the UC Office of the President initiated a two-stage plan of budget reform. The first phase, “Funding Streams,” implemented in 2011-12, replaced the then-current, complicated system of cross-subsidies and reallocation of various revenue streams from one campus to another with a new framework that, with the exception of return-to-aid cost, leaves all revenues generated by a campus—tuition, non-resident supplemental tuition, indirect cost returns, and others—on that campus. Thus, campuses directly receive the benefits from increased effort in generating these revenue streams.

Funding streams dealt with all revenue streams except funds provided by the state. A second reform, dubbed “rebenching,” is designed to create greater transparency and equity in the formula for distributing state funds across the campuses. Rebenching would replace the historical allocation model, which simply applied shares of any annual augmentations or cuts to the prior-year “base” budgets of the campuses, a process that was followed for decades. Growth in student numbers was funded differently depending on when growth occurred. The result is that state funding per student now varies significantly among the campuses, and no one, including the Office of the President, can explain the reasons for the disparities. Rebenching aims to ensure that a resident undergraduate is funded the same, regardless of campus, and to provide a transparent model that demonstrates the critical role of state funding in preserving UC as a public institution.

In April 2011 the Office of the President assembled a systemwide Rebenching Task Force that included at least one representative from every campus, with several chancellors and other senior administrators, five Academic Senate representatives, and several UCOP participants. Concluding its work in March 2012, the Rebenching Task Force issued its report and recommendations in late June 2012.

SEC Proposal to Align Admissions and Retention Functions with Academic Administration

In summer 2011, the UCSC Division of Student Affairs was eliminated and all functions formerly performed by that unit were assigned to other units. Colleges and University Housing Services (CUHS) moved to Business Administration Services (BAS). Enrollment Management, Summer Session, and the Educational Partnership Center now report to the VPDUE, and The Dean of Students (DOS) now reports directly to the CPEVC. We note that the realignment of Student Affairs functions was an operational streamlining but not a cost-saving move.

CPB members met with representatives of the major units affected by this change: the Division of Undergraduate Education, the Council of College Administrative Officers, the Interim Vice Chancellor of BAS, the Chair of the College Provosts (2012), the AVC of Enrollment Management, the Director of Admissions, the Director of Financial Aid, and the Dean of Students (DOS).

All units reported improved operations, good morale, and greater administrative transparency since the realignment; all conveyed the sense that the transition has been a cooperative process and the campus is moving in the right direction.

Challenges have included establishment of clear fund management and reporting lines (signature authority) between BAS and the VPDUE; space management (College space versus undergraduate educational space [e.g. Kresge Town Hall]); coordination of Judicial Affairs (DOS) with campus police (BAS); and potentially competing agendas between the DOS and the VPDUE regarding the academic nature of Retention Services (RS). EOP (in RS), for example, maintains an intensive, individualized advising system for a relatively small number of students while the Colleges are allocated two advisors per college for their entire populations. CPB wonders whether this is the most effective allocation of advising services given the campus's scarce resources. At the same time, we recognize that the DOS office serves populations with specific needs, including veterans and those who use the Disability Resource Center (DRC).

Campus Life (DOS), which includes Student Engagement (student organizations and resource centers), recreation and athletics, health services, and Retention Services, reports increased contacts with students as well as more direct access to the CPEVC, who is now in a position to better understand the critical functions of Campus Life. The DOS is exploring cost sharing for some expenses that now fall to it but were formerly funded by the VCSA (e.g. recording industry licensing for student events). The DOS envisions further cuts to staffing in response to this year's budget cuts. Her unit currently has no development officer, yet alumni and others are eager to support student recreation. The DOS is working with University Relations to address this gap and better coordinate these development opportunities.

The Division of Undergraduate Education, with responsibilities for Enrollment, Undergraduate Education, Colleges Academic Curricula, Advising, Summer Session, International Education, and Educational Partnerships, should be the core and the key unit to undergraduate operations at UCSC. CPB recognizes this Division's successes and its efficiencies, but notes that it appears critically understaffed to carry out its ever-increasing responsibilities. Collaboration between the VPDUE and Enrollment Management appears quite successful, with increased yields of out-of-state student enrollment. A concern has been voiced over the connection between Retention Services and academics, since RS staff are non-academic. CPB recalls that last year the SEC recommended moving RS into the office of the VPDUE and encourages reconsideration of this option.

The move of the Colleges' residential functions to BAS (now employs 40% of campus staff) appears to emphasize non-academic aspects of this distinctive feature of UCSC's undergraduate experience, while faculty involvement in the Colleges continues to decline. A suggestion emerged to rename BAS the "Division of Business and Student Services" in order to counter the perception that the Colleges serve little/no academic function.

Final observations: The dissolution of Student Affairs as a Division appears to have been a positive move as other campuses across the country have begun to make similar realignments. The potential for confusion among external parties, who may marvel that UCSC has no Student Affairs Division and may be confused about the location or existence of classic Student Affairs

functions, seems to be offset by increased levels of communication, access, and cooperation among units. Many with whom we consulted expressed appreciation for the CPEVC's extraordinary accessibility and evident concern for the well-being of their units, but they also assume that this level of the CPEVC's participation can only be transitional since it is so time-consuming. It will be important to establish ways to preserve the positive aspects of the realignment.

Total Cost to Students

A CPB subcommittee examined the cost of undergraduate education at UCSC and investigated what possibilities, if any, might exist for containing/lowering that cost. The total annual cost for an undergraduate at UCSC varies greatly, from a low of about \$24,000 for a commuter who has California residency to a high of almost \$56,000 for a non-resident living on-campus.

Tuition and Fees

For a breakdown of the items under this heading, see: <http://reg.ucsc.edu/Fees/fees.html>.

Tuition, formerly "Educational Fee," is by far the largest contributor to this category, \$11,220 for 2011-2012. Other fees are also set by systemwide and, likewise, not under our control.

However, this category also contains campus fees passed by student referenda. Some of these fees were voted in by students many years ago. It isn't clear that students would want to continue to pay some of these fees today, should they have the opportunity to voice an opinion. Indeed, some fees seem to have outlived the organization/purpose originally specified. Consequently, it is our understanding that the currently collected fees are being directed to related uses. CPB suggests (a) a systematic review of all fees imposed by past referenda; (b) all future referenda have some sort of sunset provision specifying a time when the fee will be subject to review. The potential for fee reduction is modest, but worth considering.

Room and Board

The subcommittee considered the data in the 2011-2012 "Residence Operations Permanent Budget," trying to identify potential savings. One item particularly attracted our attention: about 36% of total housing expenses under the heading, "Debt, Housing Expansion & Major Maintenance." We solicited further information from VC Planning and Budget Delaney on housing debt service across the UC system. Here is the relevant passage from VC Delaney's reply:

"Your letter noted that 36 percent of UCSC's student housing budget was committed for debt service. Before responding to your specific request, some context and clarification is needed. UCSC's Long Range Development Plan and local mitigation agreement requires the campus to provide housing for 50 percent of undergraduate and 25 percent of graduate students up to 15,000 students and 67 percent of enrollments beyond 15,000 students. This is a very large portion of our student population and no other UC campus has entered into an agreement with their local community to house a specific percent of its students. To fulfill this agreement, a portion of UCSC student housing revenue is set aside annually for future student housing projects. These set-asides, along with funding for major maintenance, are included in the 36 percent figure referenced in your letter. Debt service, without the set-asides for future housing

and major maintenance, represents about 22 percent of the annual student housing budget at UCSC.”

These documents led the subcommittee to think that some savings in the cost of housing may be possible:

(1) Subtracting the cost of the 7 Day Meal Plan from total Room and Board (\$14,856 - \$3,636) leaves approximately \$11,000, the cost of on-campus housing (this amount varies somewhat, depending on the type of on campus housing). Debt service is 22% of that, about \$2,400. Interest rates are at a historic low. Might it be possible to refinance the campus’s housing debt, thereby reducing that 22% by some meaningful amount?

(2) Some portion of the 14% of “Debt, Housing Expansion & Major Maintenance” (once debt service is subtracted) is set aside for future housing expansion. Here, the subcommittee considered the possibility that UCSC may well want to reconsider further growth, especially given the continuing decrease in State support. If the campus decides that the overall size of the student population should remain at the current level, or grow more modestly than originally proposed, and assuming that we are currently in compliance with our agreement with the local community about the provision of on campus housing for the size of student population we already have, it may be possible to redefine a reasonable expansion fund downward from its current level with concomitant student savings.

Transportation, Books, and “Personal Expenses”

The costs listed under these headings are estimates. Actual costs vary depending on students’ unique circumstances, distance from home, number of annual visits home, differences in the course reading requirements, personal spending habits – items that aren’t appropriate targets for policy intervention.

In sum, then, the subcommittee has concluded that it may be possible to achieve some modest cost savings by:

- Reexamining some of the fees created by past student referenda.
- Seeking ways to refinance housing debt.
- Reevaluating the amount needed to maintain an adequate fund for future student housing, if it is decided, at some point, that the campus will not be growing at the previous rate.

Summer Session

CPB convened a sub-committee to consider future summer-session planning. Discussions at the CPB and sub-committee levels have produced a number of ideas, which we hope to consult with the VPDUE on through Summer 2012 and in the 2012-13 academic year, as the process of re-envisioning summer session continues.

CPB found that an integrated planning model for Summer School must begin with an articulation of the goals and values of the summer session. To serve the overall academic instructional mission of the campus, we believe that curricular design first requires a careful examination of the summer session courses offered and the process by which these offerings are chosen. At the

graduate level, we find it important to pay attention to the role of both professional development and summer support for graduate students as instructors.

Following upon these considerations, CPB addressed a range of topics and concerns, including ladder-rank faculty participation, summer support for graduate students as instructors, graduate-student-instructor compensation levels, compensation for summer teaching assistants, strategic departmental offerings to help students finish quickly, student aid in the summer, budget allocation strategies, academic support services required, and summer research possibilities.

Silicon Valley Academic Plan

The Silicon Valley Academic Plan outlines plans to implement an increased UCSC presence in Silicon Valley that will enable further growth of graduate enrollments at UCSC, serve the Baskin School of Engineering's strategic vision by growing the departments to sizes competitive with other research universities, and growing research and instruction in new areas of high technology, including social networking, gaming, human-centered design, and sustainability. The overarching philosophy of this plan is one of intersecting synergies. Silicon Valley industry regularly calls for additional well-trained students. Industry can also benefit from research capabilities of faculty. Likewise, the university has much to gain from closer engagements with cutting-edge technology firms. Specifically, research problems that originate from industry have high intellectual content, and access to these problems would provide exciting opportunities to UCSC researchers working in related fields. As UCSC's STEM faculty grows, a new cohort aligned with emerging technologies will find themselves performing research on the cutting edge of innovation. In addition, faculty awareness of employment trends and needs in the technology sector will lead to innovations in curriculum that will improve employment prospects for UCSC students. Further, close identification of UCSC with Silicon Valley will strengthen the campus brand, and indeed that of the University of California system, both nationally and internationally.

During its review of the academic plan, CPB identified questions/concerns that we would expect to be addressed as planning progresses. They are:

- A large number of possible programs have been identified. Since the fully realized curriculum described would require about 30 FTE, every possible program cannot become available at the same time. Are there any established program priorities?
- Is there a plan to phase-in FTE? What are the milestones?
- What are the physical space needs of the various programs? What are the minimum technical and equipment requirements?
- What would be the governance structure? How important is University Extension in the short and long term? Would the Silicon Valley Campus eventually become a Division or School with its own Dean? An arm of the School of Engineering?
- What would be the short-term and long-term funding model? What would be the balance of self-supporting professional programs and regular academic programs? What are the expectations and plans for development?
- The University Affiliated Research Center (UARC) contract with NASA will need to be renewed soon. Does the renewal have an impact on this plan?

CPB will continue its work on Silicon Valley during the 2012-2013 academic year.

Professional Degree Fees and Professional Degree Supplemental Tuition (PDST)

Professional Degree Supplemental Tuition (PDST) can be established for specific graduate degree programs and requires Regental approval. PDSTs are charged a fee in addition to all other system-wide and campus mandatory fees. PDST revenue supplements general funds and is intended to sustain and enhance the quality of the professional schools' academic programs and services.

Following the work done last year by the Administration and Graduate Council to develop UCSC-specific draft guidelines for the establishment and implementation of Professional Degrees, two such programs were proposed in 2011-12. Technology and Information Management M.S., and a 1-year Games and Playable Media M.S. were both reviewed by CPB.

Other Campus Reviews

CPB also responded to the Vice Provost and Dean of Undergraduate Education's Class Time-Slots proposal, The Committee on Faculty Welfare's numerous informative and thought-provoking reports related to faculty salary and retention, and draft review procedures for Interdisciplinary Programs.

Systemwide Issues

CPB responded, along with other relevant Senate committees, to the following issues:

- Open Access
- The BOARS Transfer Proposals (original and revised)
- Rebenching
- SR610 Residency
- Negotiated Salary Program
- APM 200/205

Review of UC Observatories

CPB reviewed the External Review Report of UCO Lick and responses to the report from UCORP, UCPB, CCGA and the UCSC administration. CPB also reviewed documents that were referenced in the External Review Report or responses: the UC Astronomy Task Force Report (2011), UCOP Preliminary Summary of the External Review of UCO (with appendices), and the UCO Self Study (2011). CPB noted particularly that the responses were universally positive. The one thing that is beyond any doubt is the formidable, international reputation that UCO has brought to the UC system through its scientific achievements. Moreover, it is evident that the multicampus research unit (MRU) structure works well for UCO and reviewers and responders want the MRU to continue. CPB suggested that any proposed changes, especially those that don't bring large savings with them, should be carefully checked against the risk that they might jeopardize the ability of UCO to continue to perform at this outstanding level. CPB focused its review on three areas; governance, faculty and facilities, making specific recommendations in each area.

Systemwide Senate-Administration Taskforce on Faculty Salaries

CPB reviewed the report of the joint Systemwide Senate-Administration Faculty Salaries Task Force (February), noting the serious disparity across the campuses in how off scale salary has been awarded. This is due to a number of factors, most owing clearly to the fact that the common

UC system salary scale has been abandoned in practice by the campuses. The disparity among pay at like ranks and steps owes to the different implementations on each campus to try (some more successfully than others) to increase salaries to market or near-market levels. It is the position of CPB that a primary goal should be to return to a common salary scale which brings compensation levels into alignment with comparison institutions in a coherent way. At the same time, CPB recognizes that raising the salary scale about 13% across all ranks and steps would be a difficult and an extraordinarily costly proposition.

Most critically, CPB agreed that the report recommendations for salary increases must come with funding, otherwise our campus will be unable to meet the increased obligations. As an unfunded mandate, such increases will not be implementable on many campuses, including UCSC, and the disparity between the haves and have-nots within the UC system will grow larger. If the system is willing to commit to a specific resource outlay, it will be possible for the Senate and other stakeholders to engage with the implementation methodology in a more meaningful way.

There were additional concerns that the methodology is vulnerable to the variability in faculty population at any given rank/step and the unevenness of the step increments. The UC campuses are coming out of a period of reduced faculty hiring, and the number of faculty at particular ranks/steps, especially in the lower ranks could be skewed, possibly resulting in unintended results. Increasing the salaries of all faculty up to the average at each rank/step (a recommendation in the report) is an inherently inflationary policy, which may not be viable or fundable past a small number of merit cycles. The recommendations seem to be intended to help campuses catch-up to the comparable institutions quickly, but they do not address the underlying issues in a systematic way. Additionally, moving salaries to the campus average doesn't help UCSC's faculty enough, for they are already behind in compensation. Only a systematic systemwide effort focused on equity will result in positive outcomes.

Regular Committee Business

FTE Review

In addition to reviewing divisional requests for faculty recruitment authorizations (16 reviews) for 2012-13, as well as the additional recruitments (8 reviews) based on planned rebenching funding, several partner-hire requests, and waivers of open recruitment, CPB also reviewed and made recommendations on one Target of Excellence (TOE) appointment.

CPB additionally reviewed and responded to six requests for FTE transfer and one Presidential Post Doc appointment.

Program Review

CPB participated and commented formally on the ongoing program reviews of eight departments, ranging from comments on the charge to External Review Committees to participation in closure meetings.

CPB also reviewed proposals for the change in administrative oversight for the Biology B.A., a preliminary proposal for the establishment of a Critical Race and Ethnic Studies program, the suspension of the American Studies B.A. Program, and the disestablishment of Community Studies.

On the graduate front, CPB reviewed proposals for Social and Environmental Practice in the Arts M.F.A., Professional Degree Supplemental Tuition (PDST) programs for Technology and Information Management M.S., and Games and Playable Media M.S.

ITS External Review

CPB was pleased that the Information Technology Services (ITS) review indicated the success of campus centralization efforts. On the other hand, the review indicated that some aspects of the campus's relationship with ITS can and should be improved. CPB concurs with statements concerning the lack of effective and clearly understandable governance mechanisms for campus-wide consultation and agreement of shared goals and priorities. This governance is important for maximizing the effectiveness of resource allocation. Broadly based bodies should provide regular input regarding ITS's goals and ideally, such bodies could help ITS resolve some of the tension between administrative and academic priorities, and campus versus local needs.

CPB suggested that a process for benchmarking the costs of ITS services against the costs at other institutions be initiated. Such an analysis was neither a part of the ITS self-study, nor could it be pursued by the external review committee (ERC). Such an effort would include the review of services supported by the Information User Assessment recommended by the ERC. Information technology costs and expectations evolve, and it is important to monitor the Information User Assessment and the associated mix of supported services.

The external review report also indicated that the centralized structure of ITS has a lower than typical ratio of distributed staff while pointing out that this is partly due to some typically distributed services being provided centrally. CPB is also aware of the comments of the Committee on Research (COR) regarding the appropriate mix of central vs. distributed ITS staff that are actively engaged with faculty and graduate students in the UCSC research enterprise. The seeming convergence of the ERC report and COR comments on the self-study suggest to CPB that a review of central vs. distributed resources would likely be of great benefit to the University, and suggest this effort be undertaken.

Continuing Issues for CPB 2012-13

CPB has identified several items for continued consideration in the next academic year. These include Retention & Graduation rates; Silicon Valley; the Recharge system; the Colleges; the Summer Session budget cycle; Bridge Funding; and the Comprehensive Campaign.

How CPB Functions

CPB consists of ten regular members (one of whom serves as Chair), including two *ex officio* members, the Chair and Vice-Chair of the Senate. All members are selected by the Committee on Committees (COC) and are subject to Senate approval. CPB brings a balance of perspectives to campus issues by including members from each academic division. CPB also had a graduate student representative, and places for two undergraduate student representatives to sit with the committee throughout the year. Members represent CPB on other academic and administrative committees and share the tasks of writing and editing documents. The duties of the Chair include setting meeting agendas, facilitating meetings, assigning tasks to CPB members for preparing reports and written responses, meeting commitments in terms of timely response to consultation,

signing CPB documents and attending UCPB. All CPB letters and reports, unless otherwise noted, represent the consensus opinion of CPB.

Respectfully submitted,
COMMITTEE ON PLANNING AND BUDGET

Robert Boltje

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August 31, 2012

APPENDIX A

PRINCIPLES FOR REVIEWING BUDGET PROPOSALS

*Elimination of unnecessary and costly risk aversion** – Many UCSC units maintain practices that exceed mandated standards and/or reflect past over-commitments to risk aversion. Where possible and prudent, such practices should be eliminated to reduce costs, work hours and improve efficiency.

*Reduction/removal of bureaucratic layering** – In keeping with the varied UC-wide and campus initiatives, all overlaps in unit/positional functionality should be investigated for possible integration or elimination.

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*Effectively promote self-funding in units** – In our review of the administrative units, CPB became aware that many were dependent upon central funds when they had the capacity to fund themselves at higher levels through the revenue they produce. We recommend that the campus consider encouraging revenue-producing units to use their revenue in order to fund their services at high levels. Such a program should be set up so as to incentivize revenue production.

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 times such as these. We all are taking on additional responsibilities.

**New in 2011-12*