

**Office of the President**

**TO MEMBERS OF THE COMMITTEE ON FINANCE:**

**DISCUSSION ITEM**

*For Meeting of July 18, 2012*

**UPDATE ON THE UNIVERSITY'S 2012-13 BUDGET AND LONG TERM BUDGET MODEL**

**EXECUTIVE SUMMARY**

This item summarizes the implications of the 2012-13 State budget for the University. The budget includes for UC:

- \$89.1 million in UC Retirement Plan funding;
- Provision for a \$125.4 million augmentation next year (2013-14) if UC does not increase tuition in 2012-13;
- Minimal cut to Cal Grants that affect UC students;
- Assumption of the passage of the Governor's November revenue-raising initiative. If the Governor's initiative does not pass, UC's State budget will be reduced by \$250 million and UC will lose the \$125.4 million in tuition buyout funding; and
- No debt restructuring. The University had sought to assume responsibility for the State's lease revenue bond debt for UC facilities and restructure the debt to save a minimum of \$80 million on an ongoing basis that could have been used to fund UC's core operations.

In the event that the Governor's revenue-raising initiative on the November ballot is not approved by the voters, and the University loses the \$125.4 million in tuition buyout funding and is cut by an additional \$250 million, the University will be faced with very difficult choices. Because of the nearly \$900 million in lost State funding over the last several years, campuses are already doing all they can to implement efficiencies, seek new revenue, and cut programs. There is concern that UC's world-class faculty will lose confidence that the University and the State will make priority choices that adequately fund the academic enterprise and will seek outside opportunities. Therefore, it may be necessary to consider a mid-year tuition increase of 20.3 percent to address the \$375.4 million budget gap that would be added to the University's financial woes if the Governor's revenue-raising initiative fails in November.

This item also includes a brief discussion of UC's long-term budget model, which has been updated to reflect the elements of the 2012-13 State budget. Details of the updated budget model will be presented at the July Board meeting.

## BACKGROUND

### Update on the 2012-13 Budget

The Legislature adopted a budget bill for 2012-13 on June 15, meeting the Constitutional deadline for sending a budget to the Governor. On June 27 the final budget package, which included a number of trailer bills, was adopted by the Legislature and signed into law by the Governor soon after. Vice President Lenz will discuss the specifics of the 2012-13 budget package at the July Board meeting.

The Governor identified in his May Revision a budget gap of \$15.7 billion for the State of California. In addition, he sought a reserve of approximately \$950 million. The budget package adopted by the Governor and the Legislature resolves about \$8 billion of the gap through budget cuts to Health and Human Services, Proposition 98-funded programs, child care programs, redevelopment shifts, and State employee salaries, among other cuts. The 2012-13 State budget assumes adoption of the Governor's revenue-raising initiative (*The Schools and Local Public Safety Protection Act of 2012* – Attorney General reference number 12-0009) on the November ballot, which would address about \$5.6 billion of the gap; this is the net amount from a revenue estimate of \$8.5 billion after providing K-12 and the California Community Colleges with their share guaranteed under Proposition 98. The 2012-13 budget also makes other shifts and assumptions for an additional \$2.5 billion in savings. If the Governor's revenue-raising initiative is not adopted in the November election, the budget calls for nearly \$6 billion in trigger reductions to various State agency budgets, including \$250 million to UC and \$250 million to the California State University.

For the University, the 2012-13 budget includes no further cuts to the base budget and provides an augmentation of \$89.1 million toward the State's share of the employer contribution to the University's retirement plan. The Governor had proposed \$90 million in his January budget recommendations (including \$89.1 million for UC and \$900,000 for Hastings), but he lowered the number to \$52 million in the May Revision with a promise that the remaining \$38 million would be provided to UC in 2013-14. The final budget adopted by the Legislature includes the full \$89.1 million, however, which was welcome news for UC. The budget also includes an augmentation of \$5.2 million for annuitant health benefits and \$11.6 million for lease revenue bond debt service. The new State funding base for UC in 2012-13 will be \$2.378 billion, up from \$2.272 billion in 2011-12. Considering the \$15.7 billion budget gap the Legislature and the Governor were addressing, UC fared well compared to other State agencies.

The budget deal also provides UC with \$125.4 million in the 2013-14 budget if the Governor's revenue-raising initiative passes in November and if the University does not implement the six percent tuition increase UC had expected to implement in 2012-13. Attachment 1 shows the adopted 2012-13 State budget for UC, as well as the University's total expenditure needs for 2012-13.

In addition, UC students were spared major cuts to their Cal Grants in the 2012-13 State budget. The Governor's January budget proposed to raise the program's minimum grade point average (GPA) requirements for all recipients, which would have resulted in an estimated loss of about

\$20 million for UC undergraduates in 2012-13, growing to \$25 million per year over time. The May Revision contained a proposal to link a student's Cal Grant eligibility to his or her eligibility for federal Pell Grants, which would have resulted in about 9,000 UC students losing over \$50 million in Cal Grant money in 2013-14. Both proposals were not supported by the Legislature. This is excellent news for UC students. Cal Grants to UC students are expected to decline by approximately \$1.8 million, however, due to a \$78 reduction in Cal Grant B awards.

The funding levels adopted in this budget by the Legislature and the Governor are dependent on the passage of the Governor's revenue-raising initiative in the November election. If the Governor's revenue-raising initiative does not pass or is superseded by a competing initiative, the budget calls for a reduction of \$250 million to UC's budget. This trigger budget reduction would lower the University's State-funded budget to \$2.128 billion, down \$1.129 billion from a high of \$3.257 billion in 2007-08.

Two problematic budget provisions were vetoed by the Governor. One provision would have required that UC enroll 209,977 FTE in 2012-13, essentially setting a "State-funded enrollment target" for California residents. While total California resident enrollment is likely to exceed this number by several thousand students in 2012-13, the 209,977 figure would have ignored the budget cuts that have occurred in recent years. The principle that the State would hold UC accountable for enrolling students for whom the State is not providing funding is highly objectionable. The University is grateful for the Governor's veto of this language.

The second vetoed provision concerns contracting out for services. The language sought to prevent UC from contracting out services for any non-academic function without an extensive cost-benefit analysis that would require a significant number of staff to implement. It would have also required that any employee displaced by contracting out for these services be placed in another job. While this is similar to language to which UC already adheres when constructing new facilities, this language would have imposed additional constraints on how UC could reassign displaced employees and would have applied to any contract for any non-academic service. So, contracts with UC's actuaries, information technology experts, or other similar professionals would have been affected by this language. UC conservatively estimates that hundreds of millions of dollars could ultimately have been at stake if this language had remained in place.

The Governor also vetoed provisional budget language that would have earmarked specific funding levels for several programs of interest to the Legislature. This veto is consistent with the Governor's proposal in the January budget to provide UC with maximum flexibility to manage the cuts that have occurred in recent years. The Legislature had restored the earmarks during hearings, but the Governor chose to provide UC with the additional flexibility he originally proposed.

Finally, the University was seeking approval of a proposal that was not included in the final budget. This initiative would have involved the University assuming responsibility for the State's lease revenue bond debt for University facilities (totaling approximately \$2.5 billion), and restructuring that debt to save approximately \$80 million (in part because of UC's more favorable credit rating) on an ongoing basis that could have been used to help cover operating

budget shortfalls and some capital outlay needs. Unfortunately, strong opposition precluded this proposal from being adopted in the legislative budget process. The debt restructuring proposal was critical not only to assisting UC with its budget shortfall, but also to addressing capital facility projects the State is no longer willing to fund. The University may continue to pursue this for 2013-14.

***Capital Outlay Issues***

The final budget package included a trailer bill authorizing reimbursement by the State Public Works Board for interim financing costs for capital outlay projects that have been approved by the Legislature. This provision will allow UC to proceed with approximately \$134.1 million in previously approved projects and will benefit the campus capital projects shown in Display 1.

**DISPLAY 1: Campus Capital Projects Affected by Trailer Bill**

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Berkeley/LBNL, Solar Energy Research Center Project	\$30.0 million
Merced, Site and Infrastructure Phase 4	\$3.3 million
Riverside, Environmental Health and Safety Project	\$16.0 million
San Diego, Scripps Institute of Oceanography Project	\$5.7 million
Santa Barbara, Davidson Library	\$71.4 million
Santa Cruz, Infrastructure Phase 2	\$7.7 million
<b>Total</b>	<b>\$134.1 million</b>

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There is no funding for new capital facility projects in the 2012-13 State budget. This is clearly a concern for UC as the backlog of State-funded projects is now over \$1.1 billion and there is no clear indication that the State will address this funding challenge any time soon. UC is continuing discussions with the Department of Finance and the Legislature on the need for an Academic Classroom and Office Building at UC Merced, and staff are hopeful that the Governor and the Legislature will assist UC with follow-up legislation to address this critical need in the 2012-13 fiscal year. However, without the debt restructuring proposal mentioned earlier, and given the Governor and Legislature’s concern about adding to California’s “wall of debt,” it is not clear what the future holds for State funding of capital outlay projects. Vice President Lenz will present this issue to the Committee on Grounds and Buildings at the July Board meeting.

***Potential Mid-Year Trigger Reduction for 2012-13***

The proposed \$250 million 2012-13 mid-year budget trigger reduction would constitute an additional 10.5 percent reduction to the University’s budget – on top of the 27 percent cut that has occurred over the last several years. The University has been aggressively seeking out efficiencies, eliminating redundancies, trimming support services throughout administration, reconfiguring business practices, employing new operational excellence models, and raising more funds from the private and public sectors. At least 4,200 staff have been laid off; more than 9,500 faculty and staff positions have been unfilled or eliminated.<sup>1</sup> Over 180 programs have been eliminated or consolidated for an estimated savings of \$116 million. Every stone has been

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<sup>1</sup> There may be some overlap in these numbers.

turned over to find savings and help address past cuts. The University's long-term budget model assumes \$1 billion in savings or cost avoidance over a five-year period from these measures based on, in some instances, optimistic estimates for achieving positive fiscal impact, as discussed below. Attachment 2 summarizes the actions campuses have taken to date to address the significant budget shortfalls associated with years of budget cuts and unfunded mandatory cost increases.

Campuses are gravely concerned that another cut of the magnitude of \$250 million, if not addressed through new revenue, would require additional cuts that would irrevocably alter the University of California's status as a high-quality public educational institution. Once lost, excellence is neither easily nor quickly regained. Campus leadership is concerned, in particular, that faculty who have options for positions elsewhere – those at the top of their field who provide the foundation for the University's reputation as one of the finest research universities in the world and who are responsible for generating billions of dollars of research funding – will see the University's declining revenue as a sign to seriously consider offers from institutions that can better support their research and educational programs. Faculty salaries at UC currently lag the market by at least 10.8 percent.

The University is already seeing trends that will affect the quality of education at the University. Faculty separations had been hovering around 3.5 percent for many years; in 2010-11, a noticeable jump to 4.5 percent occurred. In addition, there are fewer lecturers to help with the teaching load and class sizes are significantly larger, and fewer electives can be offered to students. The constraints on the University's ability to address intractable problems, such as underfunding for maintenance combined with academic and administrative support levels that may place the University at risk for compliance and oversight issues, are worrisome to a faculty member, either existing or prospective, who is choosing where to spend his or her 40-year career.

The decades and hundreds of millions of dollars of investment already spent building up an extraordinary faculty who educate UC's students and carry out research that brings billions to the University and the State of California can all be lost quickly if action is not taken to address the University's long-term fiscal outlook.

For this reason, it may be necessary to consider a mid-year tuition increase if the Governor's revenue initiative fails in November and the University is saddled with an additional \$250 million reduction for 2012-13. In addition, the funding for the 2012-13 tuition buyout would no longer be available, creating another \$125.4 million gap.<sup>2</sup> If the entire \$375.4 million shortfall were made up from a mid-year tuition increase, it would require an additional 20.3 percent increase in mandatory systemwide charges, effective January 1, 2013. If that were to occur, mandatory systemwide tuition and fees would rise from \$12,192 in 2011-12 to \$14,664 in 2012-13. Rather than implementing the increase over three quarters/two semesters, this increase would need to be implemented over a shorter time period – two quarters/one semester – which would create a considerable hardship for students and their families. Financial aid would significantly mitigate this cost for needy students; nearly 50 percent of California resident

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<sup>2</sup> It should be noted that campuses will also be required to absorb the effects of the \$100 million trigger reduction that occurred in 2011-12 but which was temporarily addressed centrally through one-time measures.

undergraduates, for example, are covered by grants and scholarships such that they essentially do not pay tuition.

While another tuition increase, particularly in mid-year, would represent a very difficult decision, it is also clear that the State's disinvestment in higher education has left no room for further cuts without severely damaging the quality and accessibility of the University, and particularly risking the retention of world-class faculty who provide the foundation for the University's core excellence.

The prospect of another significant cut in State support looming in 2012-13 and the State's continuing fiscal uncertainties highlight the longer-term funding challenges facing the University. Trade-offs may need to be considered and decisions made about the kind of institution the University will be in the future.

Access, affordability and quality are the cornerstones of the University of California and its public service commitment, and their preservation has been historically the University's highest priority. However, the commitment to providing a high-quality education, accessible to all who are eligible to attend, and affordable to all through moderate tuition and financial assistance is now being seriously challenged. It may no longer be possible to sustain the level of support necessary to maintain all three cornerstones of the University at the levels Californians have traditionally expected – in a sustained crisis such as this, it may be necessary to examine trade-offs that require difficult choices among these cornerstones.

### **The Long-Term Budget Model and Funding Scenarios**

In the context of continuing fiscal uncertainties, the Regents will be presented with an updated long-term budget model. UC's long-term budget outlook will be presented in light of the final 2012-13 State budget and updates to some modeling assumptions to better reflect the most current information on the University's evolving cost drivers and funding options.

Long-term modeling of UC's principal cost drivers and funding solutions reaffirms the fact that there are no "magic bullets" or simple solutions to the University's budget shortfall. As described at previous Regents meetings, efficiency efforts and new revenue sources, such as increased philanthropy and research overhead, can realistically contribute only a portion of what is needed over the next five years to mitigate the University's immense funding gap.

Built into the budget model are assumptions about a wide array of savings from efficiency improvements and increased revenues from alternative sources, some of which may not be fully achievable. Yet even under these optimistic assumptions, opportunities to streamline operations, reduce costs and generate revenues from other sources cannot fully backfill mandatory costs and the drastic reductions in State support needed to sustain the levels of quality, access and affordability that have long been the hallmark of UC excellence. State General Funds and student tuition remain the two primary levers for addressing the long-term budget gap.

It should also be emphasized that UC's long-term budget model focuses on the basic core funding needed to address escalating mandatory costs and recent State funding cuts. The model

does not allow the University to address the chronic underfunding of major areas of the University's budget, such as faculty and staff salary gaps (estimated to be at least 10.8 percent for faculty; similar gaps exist for most staff categories), deferred maintenance, libraries, instructional technology, instructional equipment replacement, and ongoing building maintenance – all of which require a major reinvestment in the University's academic infrastructure on which the overall excellence of its programs is built.

The budget model indicates that to return to 2007-08 core funding levels by 2016-17, the University would need to:

- fully achieve its goal of \$1 billion in efficiency improvements and alternative revenues,
- receive the equivalent of six percent annual base budget adjustments from the State and six percent annual tuition increases,
- reduce mandatory costs by nearly \$500 million, and
- secure additional revenue of \$80 million from the debt restructuring proposal that the University sought as part of the legislative process for 2012-13 but which was rejected by the Legislature.

Modeling of UC's funding needs over the next five years shows that even if the Governor's initiative passes in November and the University secures a multi-year funding agreement with the Governor and Legislature that provides annual augmentations in State support, moderate annual tuition increases will still be needed to avoid a substantial decline in quality, as noted above. If the initiative fails, not only will the University need the substantial mid-year tuition increase in 2012-13 to offset a \$250 million trigger cut and the loss of \$125.4 million in tuition buyout funding – in addition, higher tuition will be needed in future years to offset further reductions that are likely in State support.

Details of the updated budget model will be presented at the July 18, 2012 meeting of the Board.

(Attachments)

**University Of California**  
**2012-13 State General Funds Budget**  
(Dollars in Millions)

<b>2011-12 State General Funds Base Budget</b>	<b>\$ 2,272.2</b>
 <b><i>Changes to UC State General Funds Budget for 2012-13</i></b>	
 <b>New Revenue for Operations</b>	
UCRP augmentation	\$ 89.1
Annuitant health benefits augmentation	5.2
Adjustment for lease revenue bond debt service	11.6
<b>Total New Revenue Available for Operations</b>	<b>\$ 105.9</b>
 <b>Total Revenue Available for Operations</b>	 <b>\$ 2,378.1</b>
 <b>Mandatory Cost Increases</b>	
<i>Unavoidable Costs</i>	
Academic merit increases	\$ 30.0
Salary increases for finalized collective bargaining agreements	20.0
UCRP employer contributions	89.1
Employee health benefit increases	22.8
Annuitant health benefit increases	5.2
Non-salary price increases	21.8
<b>Total Unavoidable Costs</b>	<b>\$ 188.9</b>
 <i>Discretionary Costs</i>	
Full-year salary increase for employees not covered by current collective bargaining agreements	\$ 77.6
Enrollment growth and instructional programs	36.6
Deferred maintenance	25.0
<b>Total Discretionary Costs</b>	<b>\$ 139.2</b>
 <b>Total Expenditure Needs (Revised from 2012-13 Regents' Budget Expenditure Plan)</b>	 <b>\$ 328.1</b>
 <b>Gap Between New Revenue and Total Expenditure Needs</b>	 <b>\$ (222.2) (a)</b>

(a) In addition, campuses will be required to absorb the effects of the \$100 million trigger reduction that occurred in 2011-12 but which was temporarily addressed centrally through one-time measures.



## ACTIONS TO ADDRESS BUDGET SHORTFALLS

Although the University has taken many systemwide actions to address the current budget crisis (tuition increases, one-year furlough for many employees, administrative efficiencies, and restructuring debt, among others), UC campuses have been left with significant budget shortfalls. In fact, while the majority of the actions taken to address cuts in the prior two years have emanated from central solutions, the reverse is now true for the shortfalls campuses are addressing in 2011-12. All campuses understand the budget issues facing the University are multi-year in nature. All are interested in maintaining quality as much as possible and in maximizing flexibility to address budget cuts.

### UNIVERSITYWIDE ACTIONS (2008-09 THROUGH 2011-12)

The following has occurred across the system as a result of the fiscal crisis during the period 2008-09 to 2011-12:

**Layoffs.** More than 4,200 staff have been laid off and more than 9,500 positions have been eliminated or unfilled<sup>1</sup>, while workload has continued to increase due to higher levels of student enrollment, added regulations/oversight, etc.

**Consolidated/Eliminated Programs.** Over 180 programs have been eliminated or consolidated with others for an estimated savings of \$116 million.

**Nonresident Enrollments.** All campuses are developing strategies to attract more nonresident students, particularly international students, who more than pay for the cost of their education and thus help subsidize the unfunded cost of California residents' education. The Regents have capped the potential for undergraduate nonresident enrollment at 10% of total undergraduate students. It is estimated that 7.2% of undergraduates in 2011-12 are nonresident students.

**Cuts to Academic and Administrative Units.** Campus academic and administrative units were assigned cuts generally ranging from 0% to 35%, determined through a series of consultative processes. All campuses report significantly higher cuts to administrative services as compared to instructional programs. However, all campuses report a growing concern over the impact of the significant cuts that have occurred in administrative units, given the increased exposure to risk from noncompliance and other activities that are not receiving appropriate oversight.

**Enrollment.** The University of California currently enrolls approximately 10,500 California residents for whom the State has never provided workload funding. When recent budget cuts are taken into account, the University estimates it enrolls more than 24,000 unfunded California residents. Despite inadequate funding, all campuses had hoped to remain relatively flat in terms of enrollment between 2011-12 and 2012-13, although Statements of Intent to Register may indicate some modest increase in the number of students enrolled at UC next year. No campuses plan to embark on major efforts to decrease enrollment of funded California students. A better match between resources and enrollment levels is occurring naturally as larger classes from earlier years graduate and make room for smaller classes being enrolled now. Eventually, total enrollment will approach funded levels.

**Administrative Efficiencies.** The University has established Working Smarter, an ongoing administrative efficiency initiative that seeks to capture \$500 million of positive fiscal impact over five years. The greatest fiscal impact is anticipated in future years from investments being made today in more modern, shared operations such as those well underway in payroll and HR services (UCPath)

<sup>1</sup> There may be some overlap in these numbers.

and strategic sourcing (highlighted below). Success in achieving efficiencies will result in reduced pressure on future mandatory cost increases, but these larger scale implementations are not necessarily viable solutions to help address a fiscal crisis in the shorter term. Savings and new revenue across the projects in this initiative are estimated to total over \$289 million in the first two years of the program.

- UC Path is a major initiative to consolidate the University's ten independent payroll systems into one new unified system over the next several years. It is estimated this initiative could save the University approximately \$100 million a year in operating costs once fully implemented.
- The Strategic Sourcing Initiative, designed to build and improve the internal infrastructure that supports the core procurement functions, has achieved \$246 million in cumulative cost savings since its inception in 2004-05 through 2010-11, and is expected to save another \$92 million in 2010-11.
- Through an incentive program developed by UC and the investor-owned utilities and subsequently approved by the California Public Utilities Commission, the University is pursuing \$275 million in energy conservation projects that are expected to generate about \$36 million in annual energy savings, or about \$18 million after debt service is accounted for. Some of the energy projects will also help address the University's growing capital renewal and deferred maintenance needs.

**Shared Service Centers.** All campuses report moving aggressively toward implementing shared service centers where clusters of programs share human resource and informational technology services in a consolidated manner. Many such centers have been created and many more are planned.

**Philanthropy.** All campuses report aggressive campaigns to increase overall philanthropic support and ensure that gifts and grants are able to meet many of the University's most pressing financial needs. In addition, the Office of the President is embarking on a major corporate giving program, with particular emphasis on increasing funds available from private sources for financial aid for the middle class.

**Concern about Escalating Mandatory Costs.** All campuses report deep concern over the rising costs for unfunded enrollment, employee health benefits, retirement contributions, energy, and deferred maintenance. The rate of increase in many of these areas has been steep, which would be difficult to accommodate in good fiscal times; the challenge of doing so while addressing deep base budget cuts is indescribable. The majority of UC's costs are for employees that support UC's essential functions to carry out its mission of education, research, and public service. Steep budget cuts result in the loss of vital personnel without any decrease in required workload.

## INDIVIDUAL CAMPUS ACTIONS

No campus is applying across-the-board cuts; rather each is using a consultative, deliberative process to determine how cuts should be implemented. All campuses report disproportionate cuts to administrative programs in order to reduce the impact on academic programs. Most campuses report increased class sizes, elimination of class sections, significantly reduced faculty recruitments, and unfilled positions. Campuses are using one-time actions to varying degrees, such as tapping temporary funds and reserves or the deferral of equipment purchases, to address shortfalls in the short term while more permanent cuts can be implemented over the next year or two. These actions are helpful, but many are not sustainable over the long run.

Below are highlights of each campus' actions to address budget shortfalls in 2011-12.

## Berkeley

- The campus is committed to a new Middle Class Access Plan, which will cap parental contributions to student tuition at 15% of total income for families earning between \$80,000 and \$140,000.
- Restructuring of the housing debt portfolio will allow housing prices to remain constant for the fourth year in a row.
- The second phase of Operational Excellence began in April 2010 and is expected to save \$10 million in permanent and temporary funding in 2011-12, and to save \$75 million annually when fully implemented. This will include creation of shared service centers across academic and administrative areas, energy and IT efficiencies, and leveraged purchasing power to reduce procurement costs.
- The campus is redirecting a portion of revenue from tuition and fees (\$2.6 million ongoing) to increase course offerings and improve access to core areas of the “common-good” curriculum to ensure students get access to courses needed for timely graduation.
- Cost-cutting measures include:
  - Operational Excellence
  - Administrative consolidations
  - Energy and IT efficiencies
  - Leveraged buying power
  - Debt restructuring
- Revenue enhancement measures include:
  - Increased federal research funding
  - More industry partnerships
  - Professional management of Berkeley’s endowment
  - Increased philanthropy
  - Increasing nonresident enrollment
- Faculty salaries are 20% behind the institutions with whom Berkeley most often competes for faculty.
- After a two-year slow-down in faculty hiring, the campus authorized 70 searches during 2010-11 for appointment in 2011-12.
- Approved for elimination are MA degree programs in Latin and Greek (7/08), the interdisciplinary Ph.D. in Agricultural and Environmental Chemistry (7/14), the BA in Physical Sciences (7/13) and Environmental Sciences (7/11), and a Joint Ed.D. program with CSU in Educational Leadership (7/11).
- Between April 2009 and April 2011, the campus reduced its staff workforce by more than 900, a drop of 10%.
- The campus developed a sustained funding model for Intercollegiate Athletics, reducing the need for campus support phased in over several years.
- Energy savings are estimated to yield \$4.5 million annually.

## Davis

- The campus projects \$30 million in Organizational Excellence savings for 2012-13.
- HR, payroll, and accounting functions have been moved into shared service centers for most non-academic units – projected to save \$10 million annually at full implementation.
- Base budget reductions over four years total \$106.5 million.
- Schools, colleges, and divisions were cut 20% over a four-year period; administrative and other units were cut 39% over a four-year period.
- There are 500 fewer faculty and staff FTE supported by State General Funds and tuition than there were four years ago.

- The campus is deeply concerned about financial stability for the medical center – increasing postemployment benefit costs is a major challenge.
  - A major campaign is being implemented to increase research awards; awards have increased by \$77.5 million as of January 2012.
  - Beginning in 2012-13, the campus will begin implementing a transparent, incentive-based budget model, which eliminates incremental budgeting and rewards departmental initiative in raising revenue from outside sources.
  - The campus has launched a fundraising campaign with a goal of raising \$1 billion from 100,000 donors.
  - Energy efficiency projects are expected to save \$6 million in 2011-12.
  - Organizations are being streamlined to reduce the ratio of supervisors to supervisees for an estimated savings of \$5.5 million in 2011-12.
  - General fund support for travel and entertainment has been reduced by 20%.
  - Entrepreneurial activities are being encouraged through expansion of self-supporting degrees and non-degrees, as well as master's program opportunities.
  - Student-faculty ratios for ladder-rank faculty are up by 9%; the ratio for all is up 6%.
  - The percent of credit hours taught by ladder faculty increased from 52% to 61%.
  - Undergraduate sections are larger – sections with greater than 100 students are up 14% and sections with fewer than 20 students are down 8%.
  - The campus estimates its deferred maintenance and seismic backlog is at least \$700 million.
  - Academic program eliminations and consolidations:
    - Approved for discontinuation: M.S. in Integrated Pest Management; B.S. in Avian Sciences, Computational Applied Science, Nature and Culture, and Range and Wildlands Science.
    - Critical Theory merged into Comparative Literature and Film Studies; Technocultural Studies merged into Cinema and Technocultural Studies.
    - Applied Science Department (Engineering) consolidated department in 2010-11; remaining faculty transferred to other departments.
    - The Graduate School of Management's Business Partner Program and Distinguished Speaker series was reduced in 2009-10.
    - The School of Education's Central Valley Development program was eliminated in 2009-10.
    - The Departments of Human and Community Development and Environmental Design combined in 2010-11.
    - Faculty support for Agriculture Experiment Station research was reduced in 2010-11, reducing efforts in support of the campus agricultural research mission.
    - Temporary lecturer positions and 50% of continuing lecturers were eliminated in College of Biological Sciences. Ladder faculty will teach more and some classes will be eliminated, with fewer sections for other courses.
- Medical School:
- Funding for clinical teaching support (\$3.4 million+) was eliminated in 2011-12.
  - In 2010-11, the Medical School reviewed academic departmental and clinical expenditures, eliminated staff, consolidated functions (e.g., Pediatrics & Psychiatry) and some clinics (OB Residency), and lowered nursing position levels. Most outreach and education programs associated with the Center for Healthy Aging eliminated in 2011-12.
- School of Veterinary Medicine:
- The Veterinary Academic Program was eliminated, cutting graduate funding for select DVM students.
  - School of Veterinary Medicine public service programs' outreach to veterinary community and Legislature were eliminated; only minimally maintained beginning in 2009-10.

-- Staffing at VM Teaching Hospital has been reduced; animal care activities have been shifted to fourth-year students.

### Irvine

- The number of FTE lecturers has declined by 28%.
- The average class size for undergraduate lectures has increased by 14% from 65 to 74.3 students since 2007-08.
- Academic program cuts ranged from 0% to 5%, based on an in-depth review of quality and productivity performance metrics; administrative cuts ranged from 0% to 18.3%.
- While graduate student support was protected through 2010-11, the campus implemented a \$2.5 million reduction to its graduate fellowship budget in 2011-12.
- The campus reduced freshman and transfer seminars.
- Five ORUs have been given sunset notices.
- Faculty retention has become a major challenge: three professors were recently recruited away, despite aggressive efforts to retain them, with salary increases of \$27,000 to over \$87,000.
- The Department of French and Italian, the Department of German, and the Program in European Studies were consolidated to create the Department of European Languages and Studies.
- Social Sciences has suspended two minors.
- The range of topics offered in electives has become narrower. For example, History can no longer offer a broad spectrum of courses covering diverse fields and periods. Whole areas have been suspended because of faculty departures and limited lecturer funds.
- Over 60 faculty lines have been defunded due to budget reductions. At a student-faculty ratio of 18.7, this represents the loss of teaching power for over 1,100 FTE students. If these lines had not been defunded, the faculty in those positions would be engaged in productive scholarship and sponsored research that would contribute to the economy, to the generation of new ideas, and to the generation of benefits to society.
- The central library reports that since 2007-08, collections budgets have shrunk by approximately 28% while the libraries continued to face a 5% to 9% annual inflation rate for serials. The reduced buying power resulted in the purchase of approximately 4,500 fewer monographs and cancellations of about 940 serials titles last year.
- In the Humanities School, it has become increasingly difficult to allocate teaching assistantships to larger classes that do not have required discussion sections. This has led faculty to reduce the number of writing assignments, which in turn lowers the quality of education.
- In the Nursing Science program, a reduction in the number of cadavers and the elimination of tutors for the Anatomy lab course reduced students' ability to have dedicated hands-on interactive review of anatomical structure and basic structure-function relationships. Students with educational challenges had to rely on tutors outside of the program at their own expense.
- The campus is pursuing the development of new professional master's programs and new self-supporting master's programs.
- The campus eliminated an additional 20 positions across nearly all areas of student services, resulting in cuts to service hours and programming.
- Student Affairs closed the Center for Service in Action, a student community service program, reducing its visibility while maintaining a much-reduced program level managed within the Dean of Students organization.
- Off-campus lease space has been reduced for a savings of \$2.5 million per year.

- Reductions have been made in custodial, grounds, and building maintenance service frequency. Examples include: trash pick-up cycles in offices and kitchens have been reduced by 50%; frequency in the cleaning of classroom, lecture halls, and public areas has been reduced by 45%; office cleaning frequency has been reduced by 50%.
- Delays in equipment repairs and replacement have created a “reactive” process for equipment maintenance rather than industry-standard preventative maintenance programs.
- The campus is reviewing curricular requirements to streamline general education and major requirements where possible.
- The campus is implementing over 128 projects in more than 30 campus buildings as part of the multi-year strategic energy program.

### Los Angeles

- The Anderson School Self-Sufficiency Initiative was recently approved by the UCLA Academic Senate and is currently under review at the systemwide level.
- Other self-supporting and certificate programs are under review: Master’s in Architecture; Economics; Geography; Statistics; Nursing; Dentistry; and Theater, Film, and Television.
- The proposal to consolidate seven language departments and the Department of Applied Linguistics is also under Academic Senate review.
- UCLA Live, a very successful public service program, is being restructured under new management with the goal of removing the campus subsidy.
- Minors in social sciences have been suspended.
- The Institute of Social Research, Brain Injury Institute, and other organized research units have been eliminated.
- The campus has undertaken the following academic program initiatives:
  - Challenge 45, an initiative designed to reduce the number of units undergraduates must take to graduate while still maintaining quality; the initiative has been adopted by 64 majors;
  - Restructuring the writing program; and
  - Consolidation of International Institute undergraduate majors.
- Four underutilized properties are to be sold.
- Initial phases of consolidation of the data center and IT infrastructure services are complete.
- New regional business service centers have been established in campus administration, the School of Medicine, and the Health System.
- A major restructuring of contracts and grants administration is underway.
- The campus eliminated an agreement with VISA and established a convenience fee for credit card payments for permanent savings of \$9 million.
- Email systems have been consolidated into one for the general campus and one for the Health Sciences.
- UCLA-based Strategic Sourcing initiatives are saving \$12 million in the current year.
- Only 30 faculty searches will be authorized for 2012-13; the campus usually authorizes 80 per year.
- Planning is underway for an electronic dossier system to help reduce academic personnel costs.
- Energy savings are estimated to eventually yield \$33 million annually when fully implemented.

## Merced

Because Merced is a developing campus, base budget cuts have not been allocated to the campus and, therefore, the campus report does not cover actions taken to address cuts. However, because funding provided is insufficient to meet all the needs of a growing campus, Merced is utilizing a variety of strategies to contain and avoid costs in order to maximize funding to meet enrollment growth priorities.

- The campus is continuing to grow as planned but mindful of the need to stretch existing dollars efficiently. The emphasis is primarily on cost avoidance as growth progresses.
- Initial seven-year accreditation was achieved in July 2011.
- Research awards continue at a strong pace.
- Completion of the Social Sciences building has helped change the mix of students to lower-cost disciplines and provide more choices for students.
- The summer session schedule has been expanded to accommodate more classes impacted during the regular academic year and help students graduate in a timely way.
- The campus currently has 225 faculty but needs to hire 50-75 faculty per year for the foreseeable future to accommodate enrollment demand.
- The campus goal of LEED Gold certification for all new campus buildings resulted in purchased utility savings of 36% in 2010-11.
- A retrofit of the central plant planned for 2012-13 will generate \$135,000 in natural gas savings.
- Overall, energy savings from projects undertaken by the campus are expected to yield \$1.6 million in savings annually.

## Riverside

- The number of ladder-rank faculty has declined by 28.8 FTE (from 588.2 to 559.4).
- The number of other instructional faculty has declined by 43.4 FTE (from 283.0 to 239.6).
- The student-faculty ratio has risen from 22:1 in 2008-09 to 24.78:1 in 2010-11, an increase of 13%. The TA to student ratio had a similar percentage increase.
- The Graduate School of Education reduced admissions and funding for the teacher credentialing program and delayed or postponed development of new programs (e.g., an education minor).
- The Palm Desert Graduate Center is downsizing and becoming self-supporting, reducing outreach to this underserved area.
- The average size of an undergraduate lower-division lecture class has increased 33%, from just over 66 in Fall 2008 to over 88 in Fall of 2011.
- The size of the average upper-division lecture class has increased 34%, from just over 55 in Fall 2008 to almost 74 in Fall 2011.
- Introductory course class sizes are increasing at a much greater magnitude:
  - Physics 020 lecture has increased from a class size of 95 in Fall 2008 to 573 in Fall 2011;
  - Chemistry 0001A lecture has increased from 287 in Fall 2008 to 543 in Fall 2011; and
  - Biology 005A lecture has increased from 300 in Fall 2008 to 517 in Fall 2011.
- The number of participating students per discussion section has increased dramatically at the same time the number of discussion sections has decreased.
- Half of UCR's students are the first in their family to attend college and 42% receive Pell Grants, yet advising services are being reduced dramatically and caseloads are climbing rapidly. For example, advisor caseloads in the life sciences climbed from 371:1 to 511:1 between Fall 2007 and Fall 2011. Similarly, caseloads for undeclared majors in the College

of Natural and Agricultural Sciences rose from 318:1 to 755:1 between Fall 2007 and Fall 2011.

- Average appointment times for meetings with advisors has been reduced from 30 to 15 minutes, which is not enough time for many of the kinds of problems students present.
- Cuts to the Early Academic Outreach program will mean that 1,700 fewer students will be served and the service area will be reduced by 50%.
- 80% of the campus' donor base graduated in the last 15 years, so opportunities for aggressive increases in alumni giving as an alternative revenue source are limited.

### **San Diego**

- The campus has 25 departments (other major research universities have 45-55), so the campus is already lean.
- The campus has reduced total filled faculty positions, increased the use of lecturers, and reduced teaching assistants and graduate support.
- Small special lab courses and lecturers, staff, and supplies in Biological Sciences have been eliminated.
- The campus implemented a pilot program to allow simulcast instruction in 3 classrooms to accommodate more students for large courses, helping keep students on track to graduate and lowering capital costs.
- Library services have been reduced, there have been significant library staff reductions, and four of nine locations have closed, saving \$2 million.
- Student services have been reduced, including student financial aid, career services, student health and wellness services, and registrars.
- Several outreach programs have been reduced or eliminated.
- Scripps Institution of Oceanography eliminated its business development program for a savings of \$325,000.
- Core business functions, such as human resources, information systems, finance, and procurement, have been centralized.
- Campus IT support services have been significantly reduced, which results in significant delays in response time and reduced consultation effectiveness.
- Elimination and/or reduction of services are being implemented in payroll functions, special projects support, award management, central accounting, strategic sourcing and contract management, and delivery activities for a savings of \$852,000.
- Cuts to instructional programs totaled 4.7% of core budget in 2011-12.
- A total of \$3 million annually is being saved from campus-wide chilled water improvements and CO2 sensor installation, Supercomputer Center Server replacement, and enhanced campus lighting.
- Cuts to administrative programs totaled 9.4% of the campus' core budget in 2011-12.
- Energy savings are expected to yield \$3 million annually.

### **San Francisco**

- Tuition increases have less of a positive financial impact for UCSF compared to other campuses because of its high cost programs (all health sciences) and comparatively low enrollment.
- The campus is consolidating desktop support and data center for an estimated savings of \$5.1 million.
- Another \$2.8 million is expected in savings from the development of human resources/academic personnel service clusters.



- Financial streamlining, which includes online expense reimbursement, redesign of the chart of accounts, development of reporting strategies, and implementation of a new budget planning tool are estimated to save \$5 million when implemented.
- Development of an e-procurement system (partnering with the Berkeley campus) is expected to generate \$6.9 million in savings.
- The campus has deferred several planned initiatives in the School of Medicine OB/GYN and Radiation/Oncology departments for a savings of about \$2 million.
- Clinical Nurse Specialist programs in cardiovascular care and neonatal intensive care and nurse practitioner programs have been eliminated for a savings of \$150,000.
- Geriatric and Adult Nurse Practitioner programs have been consolidated for a savings of \$150,000.
- Various changes to facilities management will save \$1.6 million, including reducing custodial services overtime, negotiating a new elevator contract, reducing the price for air filters, reducing the Mission Bay aesthetic project, and eliminating the Parnassus cosmetic maintenance project.
- Lighting, HVAC, and other energy efficiency initiatives have saved \$2.7 million since 2008-09.

### **Santa Barbara**

- The campus has 450 fewer employees since 2008, 13.7% of them through lay-offs.
- Santa Barbara is more dependent on State funds than other campuses – 98% of their instructional costs are funded from State funds.
- Their indirect cost recovery rate is increasing to 53.5% from 50%.
- The campus does not grant waivers on indirect cost recovery.
- About 87% of core funds are used for personnel expenses such as compensation and benefits. Cuts to these funds directly impact the number of employees the campus can support.
- The number of ladder-rank faculty has declined by 4%.
- The campus is replacing only a little over half of the faculty separations that occurred in 2010-11.
- Students voted to increase campus-based fees to restore funds for student services that were eliminated in budget cuts.
- One strategy for addressing the budget gap has been to raise the assessment on non-core funds and gift funds for basic support of the campus.
- The undergraduate average class size is up 7%.
- The number of lecture, laboratory, and seminar classes has been reduced by 6.5% (94 classes) since 2007, at the same time enrollment has grown by 1%.
- The Off-campus Studies, Exercise and Sports Management, and Law and Society programs have been eliminated.
- Shared service centers for administrative support have been created to serve clusters of departments.
- The campus is developing a new online procurement system which will save funding in the future.
- Operational efficiencies work groups have been formed in four main areas: IT & communications; campus personnel; shop services; and conference, event planning, and ticketing. Other workgroups are being formed to evaluate financial systems and procurement, entertainment, and travel.
- Travel expenditures have been reduced by \$3.3 million annually.
- Supplies and materials costs have been reduced by \$4.7 million annually.

- Communication/postage/delivery and printing/reproduction expenditures have decreased by \$1.4 million annually.
- With reductions in staff overall, many units housed off-campus have been moved back to campus, for an annual savings of nearly \$1.5 million.
- Energy efficiency initiatives have resulted in electricity use per square foot being reduced by 29.8% since peaking in 1998-99 and, after debt service payments, are expected to achieve \$1 million in annual savings.

### **Santa Cruz**

- Academic divisions were cut by 15%, academic support by 29%, and administrative functions by 31% over the last four years.
- Like Santa Barbara, the Santa Cruz campus is more dependent on State funds than other campuses with almost all of their instructional costs funded from State funds.
- The campus has experienced a 21% decrease in the number of staff and management FTE paid from core funds.
- Funding associated with 124 of the campus' budgeted faculty FTE has been cut.
- Since 2008-09, 8.3% of undergraduate courses have been dropped.
- The percent of undergraduate courses with over 100 students has climbed by one-third.
- The percent of undergraduate courses with fewer than 20 students has declined by one-fourth.
- 200 teaching assistantships have been eliminated.
- Some required courses and general education courses are now only offered once a year.
- The Community Studies department was disestablished effective July 1, 2012.
- The Visiting Artist Program has been eliminated.
- The New Teacher Center became self-supporting.
- When library hours and services were cut, students voted in favor of a temporary campus-based fee to extend library hours by four each day and on weekends.
- Over \$1.7 million has been cut from the library collection budget, resulting in a significant decrease in the availability of serials, journals, and CDL-licensed packages.
- On-campus child care services for faculty and staff was terminated; only students receive these services.
- Ongoing maintenance has declined significantly.
- Over 50 IT positions have been eliminated – the campus is now in a break-fix mode. For example, the Earth and Marine Sciences building was recently without network access for several days.
- Energy efficiency projects will save \$700,000 while requiring about \$450,000 in loan repayments.
- The campus has undertaken a cohesive effort to expand its decision support system and has in place a robust system that is a “best practice” intended to replace labor-intensive legacy and redundant systems with consolidated streamlined reporting mechanisms.
- IT and HR functions have been restructured into shared service centers, which when combined with other actions has saved \$2-2.5 million annually.
- Because the average age of UCSC alumni is 35, alumni giving has not been a lucrative source of additional income.