

February 26, 2008

DEANS, VICE CHANCELLORS, VICE PROVOSTS, UNIVERSITY LIBRARIAN

SUBJECT: 2008-09 Campus Budget Planning to Address State Budget Cuts

Dear Colleagues:

I am writing to provide information that you should use to guide your budget planning for 2008-09. As you know, the budget proposed by the Governor last month provides funding for the University consistent with the compact, but also proposes 10% reductions for all state-funded programs. In total, the University of California is facing a \$417.4 million shortfall between the budget approved by The Regents in November and the funds that the state would provide based on the Governor's proposal for 2008-09. Further, the challenges faced by the state are significant and may not be resolved in a single year. Your planning should consider this to be a multi-year challenge.

The impact to the Davis campus is difficult to predict at this stage. The state legislative process will continue throughout the spring and early summer. In addition, the UC president and The Regents will consider many policy and spending options such as enrollment targets, faculty and staff compensation, student fees, and program-specific (categorical) investments or cuts. These decisions will result in reduced expenditures, but it will be months before we can reasonably assess the campus impact.

In addition, as we have discussed on many occasions, the campus has a significant structural deficit of approximately \$10 million in its purchased utilities budget. The deficit began during the state energy crisis in 2000 and has persisted because of inadequate state funding support for new facilities and price increases for natural gas that have not returned to the pre-gulf hurricane levels. We will continue to deploy many strategies to address the deficit, including major upgrades to the central plant, aggressive contracts to ensure the lowest cost commodities, and conservation efforts throughout the campus. However, these measures alone are not enough to resolve the deficit so it will be necessary to include deficit resolution in the campus budget plan.

To address this planning challenge – the certainty of base budget cuts, but uncertainty about the amount – I am requesting that you develop initial base budget reduction plans for your unit by Friday, April 25, 2008, as described later in this letter. The plans you develop should propose strategic reductions within your organization and should not result in redirection of work outside of your organization.

Over the coming weeks and months, we will likely need to implement additional budget reductions to create a central reserve of one-time funds to mitigate the uncertainty we currently face. For this, I will work with you, the budget planning task force, and the campus community to identify and evaluate campus-wide options to increase revenue, reduce expenses, and alter campus policies and procedures that will help us meet these challenges.

In previous years, our budget planning was guided by a set of principles that served us well. I ask you once again to keep the following principles in mind as you develop your budget plan.

1. Reduce budgets strategically in a manner that will maintain our focus on the campus's academic mission, our highest priority.
2. Protect instruction to the maximum extent possible and ensure that the classes needed in order to make timely progress to degree are available.
3. Ensure the access of Californians to higher education while building and extending the excellence of our academic programs. Increase student access through alternative approaches to the extent possible (for example, distance education, expanded summer programs).
4. Balance budget reductions in a way that recognizes the fundamental contributions of both faculty and staff to the academic mission.
5. At all levels of the university, communicate openly, honestly, and frequently about the budget process and the reductions. And, consult broadly about reductions to determine the best routes we can take.
6. Seek new resources.
7. Streamline processes and procedures to help reduce expenditures and mitigate staff workload.

I recognize that everyone is already working under constraints created by the last round of budget cuts, including higher fees for students and increased workload for faculty and staff. Meeting the current challenge will require that we work together with patience and mutual respect to ensure that UC Davis continues to build on recent successes in learning, discovery and engagement. Detailed budget planning information follows.

Preliminary Resource Guidelines for 2008-09

Academic Unit Budget Reductions. Schools, colleges, and divisions are asked to develop plans to permanently reduce their general fund base budgets excluding ladder faculty salaries and teaching assistant funds, by 7% effective July 1, 2008.

These budget reduction targets total \$7.65 million and represent an average reduction of 2.6% of the total state general fund budgets for academic units across the campus. The budget cut targets are detailed in Attachment 1 and plans are due by April 25.

Academic Support and Other Administrative Units. Vice chancellors, vice provosts, the dean of graduate studies, and the university librarian are asked to develop plans to permanently reduce their general fund and registration fee base budgets by 7% effective July 1, 2008. The following general fund and registration fee budgets are exempt from budget reductions:

1. utility budget for gas and electricity purchased from external vendors (note that the budget for other utilities and internal utility operations costs are not exempt);
2. graduate student support managed by the Office of Graduate Studies;
3. student mental health programs in the Counseling and Psychological Services (CAPS) that are being expanded in response to the UC Student Mental Health Committee Report.

Budget reduction targets for academic support and administrative units totaling approximately \$12.16 million are detailed in Attachment 1. Plans are due by April 25.

Enrollment. The campus will immediately proceed to implement the 2008-09 enrollment plan described in my November 30, 2007, letter to the Council of Deans and Vice Chancellors. The 2008-09 enrollment plan calls for growth of fewer than 200 students (under 1%). We anticipate enrolling approximately 5,000 new freshmen and 2,100 new transfer students (1,900 in fall and 200 in winter). We hope to continue our success from the last few years by again expanding graduate student enrollment (growth of about 60 new students or 5% more than this year). Finally, we will again expand summer programs to the extent possible.

Faculty Positions. Allocation of new growth positions will be deferred. For the 2008-09 year, I will use the one-time salary savings from the open positions in the Provost's reserve (approximately 50 positions from 2007-08 and 2008-09) to help mitigate the consequences of the budget reductions. Active recruitments currently in progress will continue until completion. However, effective immediately, authority for new ladder faculty searches will rest with the Provost. This includes searches for unfilled FTE currently held by the deans as well as FTE that may result from retirements, resignations, or deaths (these FTE will continue to revert to the dean).

Each dean should propose a faculty recruitment plan for new hires starting in 2009-10 (recruitment activity that will occur in 2008-09) by Friday, April 25, 2008, including estimated start-up costs for all hires. I will review the plans with the deans during the spring quarter and make decisions in June. The Office of Resource Management and Planning will provide a suggested template in the next few weeks.

Staff Hiring Authority. A blanket hiring freeze for staff has not been an effective strategy in the past. However, you should exercise great caution with respect to staff hiring regardless of funding source. Effective immediately, recruitment for all staff positions will require approval by the dean, vice chancellor, vice provost, university librarian, or their designee. You should also work closely with central human resources staff in the appropriate Davis or Sacramento campus office to maximize opportunities to hire internal candidates. Finally, the campus will again provide funds for support services managed by the Davis campus human resources office to supplement training and professional development opportunities for staff facing layoffs.

Operating Budget Expenditure Controls. Given the high degree of uncertainty that we are facing, I ask that you immediately take steps to reduce expenditures where possible (for example, limit travel or defer major purchases).

Self-Supporting Activities. For planning purposes, you should assume that campus services (self-supporting activities that charge other campus departments) will not be allowed to increase rates. Recharge rates that are primarily charged to extramural funds or other non-university funds are not subject to this freeze and should be adjusted in accordance with existing policy to ensure full cost recovery. Effective immediately, review and approval of all rate changes is delegated to the Campus Rate Group chaired by Associate Vice Chancellor Ratliff. Additional information will be provided by the Office of Resource Management and Planning.

Timeline for Campus Budget Planning to Meet 2008-09 Budget Cuts. The timeline proposed below is aggressive, but necessary to enable decisions by early summer. This timeline does not supersede local budget timelines and deadlines used by an individual school, college, division or administrative unit.

Tuesday, February 26, 2008	Budget planning letter sent.
Friday, April 25, 2008	Budget reduction plans due to Provost.
Friday, April 25, 2008	Faculty recruitment plans due to Provost.
Thursday, May 15, 2008	ORMP provides analysis and summary of proposed budget reduction plans to the CODVC and Senate for review and comment.
Friday, May 30, 2008	Comments from CODVC and Senate due to Provost.
Late May/early June 2008	As needed, budget meetings with the Provost to review and discuss proposed plans.
Late June/ early July 2008	Provost provides preliminary budget decisions and faculty recruitment decisions.
Summer 2008 (after state budget enacted)	2008-09 budget decisions finalized based on final state budget.

Communication. As noted in my February 22, 2008, e-mail update, information about the budget will continue to be shared broadly using a variety of communication tools including the following.

- UC Davis Budget News (<http://budget.ucdavis.edu/>) is being updated on a regular basis and includes a link to a campus Q&A with responses to budget questions, comments, and suggestions submitted by faculty, staff and students.
- Questions, comments, and suggestions can be sent to budget@ucdavis.edu or faculty, staff, and students can use a SmartSite titled "Budget Planning".
- Dateline will also continue to be used to share information about the campus budget.

Academic Planning

As noted in several recent communications, I have concluded that our academic planning should continue. The budget challenges suggest that our efforts would be best focused on consideration of a no-growth scenario; however, I will leave it to the departments and deans to identify the best strategic direction and priorities for each school, college, and division. To the extent possible, we will follow the original timeline set in my November 7, 2007, letter (see below) because this timeline provides us a reasonable opportunity to deliberate the plans and conclude the process in the coming academic year.

Academic Planning Timeline

March 23, 2008	Department academic plans submitted to deans.
Spring 2008	Deans complete consultation with faculty including their Faculty Executive Committee.
August 31, 2008	Deans submit final school, college, and division academic plans to the Provost/EVC and the Academic Senate.
Fall 2008	Academic Senate reviews plans and provides feedback to Provost/EVC.
Winter 2009	Campus academic plan adopted.

Please contact Associate Vice Chancellor Ratliff if you have any questions about these materials. Thank you for your leadership, commitment, and innovative approaches. Challenging times test the quality of a community. Working together, I am confident that we will successfully meet these budgetary challenges.

Sincerely,



Barbara A. Horwitz
Interim Provost and Executive Vice Chancellor

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Attachments

c: Chancellor Vanderhoef
Senate Chair Bisson
Senate Vice Chair Powell
Senate Planning and Budget Chair Orel
Associate Vice Chancellor Ratliff