TO THE UC DAVIS CAMPUS COMMUNITY:

We are writing to provide another brief update about the campus budget and to seek your feedback about furlough/salary reduction options that we just received from the Office of the President.

We know that these topics are of deep concern to you. We want to keep you informed about the budget process as it develops, and we want to hear your opinions, suggestions and questions. These are not easy decisions to make, but given the severity of the fiscal challenge, we need to take swift action to avoid worse problems later.

The May 28 Provost update (http://provost.ucdavis.edu/communications/May_2009_Budget_Update.pdf) provided information of the likely consequences of the continued deterioration of the state budget. The budget shortfall increased substantially from the March planning estimate because the voters rejected five ballot initiatives on May 19 and because the Governor proposed further cuts in response to declining state revenues. The campus budget must now reflect the following:

- Budget reduction targets assigned this week by the Office of the President that increase the UC Davis budget shortfall from $39 million to $108 million.

- After taking into account revenue from increased student fees, savings from slowdowns in faculty hiring, and differential budget reductions already assigned to deans and vice chancellors, our budget gap is as much as $65 million.

- The budget subcommittees will submit reports at the end of this month with ideas about how we might cut costs further and change how we do business at UC Davis.

- And, we are actively pursuing new revenue sources that can be deployed to address the shortfall.

However, even after taking all of these actions into account, it is clear that the university must take steps to reduce salary expenses, because faculty and staff compensation accounts for over 71 percent of all expenses.

Today, June 17, President Yudof declared a financial emergency and asked the campuses to respond to three options for a systemwide salary reduction and/or furlough program proposed for August 1, 2009 through June 30, 2010. The options include a salary reduction, furlough or some combination that is equivalent to four percent for faculty and staff earning $46,000 or less per year and eight percent for all other faculty and staff. Full details are not yet available. For example, it is not yet clear what impact, if any, the salary reduction will have on retirement calculations for individual employees. Nor is it known how a furlough or salary reduction will interface with the START program or part-time employees.

There are other important questions to be sure. This Friday, we will provide a survey tool (online and hard copy) to collect your feedback and questions about the furlough and pay reduction options.
For the campus, we estimate that an eight percent salary reduction or furlough for all faculty and staff would save about $30 million in state general funds. Savings from federal funds may enable the hiring of additional, temporary staff or may be re-budgeted to cover other grant costs. And savings from other non-restricted funds will be reviewed to determine the most appropriate use.

In addition, we know that the Regents made a decision last February that all faculty and staff need to restart contributions to the UC retirement plan. The Regents’ decision calls for contributions of six percent – two percent from all faculty and staff and four percent from the campus – effective mid-April 2010 (subject to normal collective bargaining processes). The campus budget plan includes $3.65 million to cover the core fund costs for the campus share of the initial four percent contribution in 2009-10. These costs will increase to over $17 million the following year and are likely to continue to increase in connection with the multi-year funding plan that actuarial studies suggest is needed to ensure the long-term viability of the university retirement system.

There is some certainty emerging about other issues as well.

1. We will continue to approach this challenge with input from the entire campus community using the budget planning principles that we re-affirmed in March. [http://budget.ucdavis.edu/budget-planning/documents/2009-10/Budget-Planning-Principles](http://budget.ucdavis.edu/budget-planning/documents/2009-10/Budget-Planning-Principles)

2. There will not be an early retirement incentive program for faculty and staff on the order of the 1990’s VERIP program. However, last week the campus announced a Voluntary Separation Program for staff employees. More information is available at [http://www.hr.ucdavis.edu/HR_News/Elr/voluntary-separation-program](http://www.hr.ucdavis.edu/HR_News/Elr/voluntary-separation-program).

3. We remain committed to minimizing the number of layoffs, but additional layoffs are likely to be needed to fully address the budget shortfalls. Through May, 100 campus staff and 15 health system staff were subject to a layoff, about double the number experienced in most years.

4. Layoffs for Academic Senate faculty members (tenured or non-tenured) are not being considered. But, we will continue to significantly reduce faculty hiring.

5. The budget reductions assigned to deans, vice chancellors and vice provosts in March, which for planning purposes, included a lower target and a higher target will be implemented at the higher target amount immediately. And, additional cuts will be assigned in the coming months.

We remain committed to sharing information with you on a regular basis. Last week, Professor Robert Powell, chair of the Davis Division of the Academic Senate, sent an open letter to all members of the Davis Division of the Academic Senate and held a Budget Issues Town Hall meeting ([http://academicsenate.ucdavis.edu](http://academicsenate.ucdavis.edu)). We will soon publish a Question and Answer (Q&A) article to address the questions that we have been hearing from the campus community. In early July, Provost and Executive Vice Chancellor Lavernia will join Associate Vice Chancellor Karen Hull at an open forum in Freeborn Hall to provide information to staff about human resources services and topics. And, we are in regular communication with Chancellor-Designate Katehi to keep her informed about the budget.

These are just a few examples. Please continue to monitor Dateline and the UC Davis Budget News website ([http://budgetnews.ucdavis.edu/](http://budgetnews.ucdavis.edu/)) for new information and announcements. And, we ask that managers and supervisors take time to go through this message with your employees, especially those that do not have regular access to electronic communication.

Finally, our planning and decisions are improved by your participation. Please continue to share your ideas, questions, and feedback using the [budget@ucdavis.edu](mailto:budget@ucdavis.edu) email.
Thank you for your good work at UC Davis. As we bring the Centennial year to a close, we are reminded that UC Davis has had many extraordinary achievements as a public research institution. We will continue this legacy. Our decisions during these difficult times will be guided by our continued commitment to provide a superb education to our students and to excel in research and scholarship. Through your efforts we will continue to make progress towards our strategic goals and ensure our success during the next 100 years.

Thank you again for your good work at UC Davis. We remain certain that we will address these challenges in a way that assures the long-term strength and excellence of UC Davis.

Sincerely,

Larry N. Vanderhoef
Chancellor

Enrique J. Lavernia
Provost and Executive Vice Chancellor

/mbm

c: Chancellor-Designate Katehi