

February 20, 2004

DEANS
LIBRARIAN
VICE CHANCELLORS
VICE PROVOST MERKLEY

Dear Colleagues:

Re: Budget Reduction Targets

With less than 5 months before the start of 2004-05, we need to move forward with a process to determine how we will accommodate permanent reductions in our budget. With consultation, open communication, and clarity of purpose, we will emerge with a resource plan that seeks to preserve the essential qualities that define UCSC. This will not be easy. The Chancellor and I look to you and our colleagues in the Academic Senate to provide advice and feedback as we work together during this difficult time.

I am writing now to provide you with an overview of our planning assumptions, the major elements of our process, and to provide planning targets for each academic and academic support division.

Given the projected shortfall in State revenues, and certainty that UCSC will be required to make significant permanent reductions in its general funds budget on July 1, 2004, the campus's overall objective is to protect the core academic mission, to the extent possible, and emerge with a budget strategy that reflects a balance among academic programs and support services, while maintaining campus safety, adequate internal controls, and a quality learning and living environment. This balance is essential to the campus's long-term viability. We will start by pursuing strategic reductions, recognizing that ultimately we will be faced with reductions that will be a combination of strategic actions as well as divisional cuts.

Developing a 2004-05 Budget Plan

Current data suggests the need to prepare for \$17 million in permanent budget reductions in 2004-05. This does not take into account reductions that will be targeted by the State for Outreach or Research activities, but it does include the permanent cuts received in 2003-04 as well as the additional cuts described in the Governor's 2004-05 budget proposal. The \$17 million planning target includes the following:

- Undesignated cuts from 2003-04 and 2004-05
- Proposed changes in the student faculty ratio
- Proposed reduction in enrollment
- The proposed 7.5% reduction in academic and institutional support
- Funding for fixed costs and contingency

I must emphasize that this is an estimate for planning purposes—the legislative process that determines the State's final budget for 2004-05 is just beginning and *many* factors, including the outcome of Propositions 57 and 58, can change our planning target.

We propose to address the budget reductions using a multi-pronged strategy that: (1) utilizes funds held centrally to buffer the impact of the cuts; (2) achieves savings from targeted programmatic reductions; and (3) assigns planning reduction targets to each principal officer.

Our proposal for achieving the \$17M target has the following elements:

- **Central Reductions of \$4.7M.** The campus is committed to using central funds, to the extent feasible to help meet budget reductions, recognizing that this will limit near term flexibility. Central reductions include elimination of 28 faculty FTE held in a campus reserve, and uses central funds to reduce the planning targets for police, fire, and information technology.
- **Programmatic Reductions of \$3.4M.** This includes savings anticipated from Executive Budget Committee (EBC) initiatives, as well as other targeted reductions.
- **Divisional Reduction Targets totaling \$9M.** This includes planning targets of 3% (\$1.6M) for direct instruction and 13% (\$7.4M) for academic support activities.

At the same time we are reducing budgets, we will need to make strategic one-time investments. These are not included in the planning targets as they will be funded from a combination of resources, including one-time balances. Attachment A provides a summary of the planning targets for each academic and academic support division. Attachment B provides a listing of the proposed programmatic reductions. Attachment C summarizes the proposed reductions in faculty FTE.

Our Process and Timeline

I am asking each principal officer to review the programmatic reductions and planning targets that fall within their respective areas and to provide me with a preliminary proposal on how they would accommodate this level of reduction by **March 22**. Attachment D provides general guidance on the issues that should be addressed as you develop these budget reduction strategies. Please work with Planning and Budget staff to ensure consistency with respect to the budget numbers you are using.

Following receipt of your reduction scenarios, I would like to meet with each of you during the month of April. This meeting is intended as a discussion. I will ask Assistant Provost Hyder, VC Michaels, and AVC Eckert to join us and I ask that you limit your staff to one to three assistants as well – this will enable us to have a more productive conversation. While I will certainly provide you with my reactions, few decisions will be made until I have had a chance to meet with all principal officers and we are able to refine our planning assumptions based on any changes which might be proposed when the Governor issues his “May Revision Budget” proposal for 2004-05.

Timeline

Mid February	Budget Strategy and Planning Targets Provided to Principal Officers
March 22	Principal Officers Provide Reduction Scenarios
April	Meetings with Principal Officers to Understand Plans
April - May	Consultation – EBC, CPB, and others as appropriate
May – June	Refine Planning Assumptions and Finalize Reduction Amounts
July	Implement Permanent Cuts

Consultation will be an essential element of our process as we resist the temptation to move too quickly. It is imperative that there be a thoughtful analysis and understanding of our options.

With that in mind, please consider the following as you develop your reduction scenarios:

- We have included savings from a variety of funding sources, including those anticipated from the EBC initiative to redesign our service centers in our list of programmatic savings. Other initiatives--such as e-procurement, and improvements in fleet management-- may reduce costs in selected areas, and yield savings that may help mitigate the impact of divisional cuts.
- Support units cannot reduce essential services that will have to be picked up by other units without customer feedback or other input.
- The academic program and curriculum may need to be realigned to match a smaller resource base, while ensuring that students are offered the courses they need to graduate in a timely manner. This may require you to streamline offerings, reduce reliance on temporary instructors, and re-examine course relief practices. Any specific options must consider fully the effects across the curriculum as well as the pedagogical implications.
- Carry forward balances should help pay for one-time divisional needs and provide flexibility to phase in budget reductions.

Our response to the significant reductions ahead can and must sustain UCSC's vitality and integrity. Our choices will define the institution we will be in 5 years, 10 years and beyond. We must consider how to deploy our present resources to sustain those programs that are critical to our long term mission, including, to the extent feasible, implementation of key features of the ten-year plans.

I recognize the hard choices you will be faced with and am deeply appreciative of your commitment to UCSC.

Sincerely,



Martin M. Chemers
Interim Campus Provost and
Executive Vice Chancellor

Attachments

cc: Academic Senate Chair Galloway
Chancellor Greenwood
CPB Chair Meister
Executive Budget Committee

Attachment A

PLANNING TARGETS

Estimates--Based on Governor's 2004-05 Budget Proposal

	<i>Direct Instruction</i>		<i>Academic Support</i>			<i>Total Target</i>
	<i>Fac FTE</i>	<i>Target</i>	<i>Target</i>	<i>Divisional Relief*</i>	<i>Adjusted Target</i>	
Central Reductions	-28.20	\$2,544,900	\$560,700	\$1,589,000	\$2,149,700	\$4,694,600
Programmatic Reductions	-7.00	\$300,000	\$3,093,000		\$3,093,000	\$3,393,000
Central & Programmatic Targets	-35.20	\$2,844,900	\$3,653,700	\$1,589,000	\$5,242,700	\$8,087,600
Divisional Targets:						
Arts	-2.60	\$203,000	\$328,000		\$328,000	\$531,000
Engineering	-2.30	\$212,000	\$289,000		\$289,000	\$501,000
Humanities Division	-4.70	\$374,000	\$255,000		\$255,000	\$629,000
Library			\$826,000		\$826,000	\$826,000
Physical & Biological Sciences	-5.10	\$432,000	\$682,000		\$682,000	\$1,114,000
Social Sciences Division	-5.50	\$435,000	\$455,000		\$455,000	\$890,000
UCO Lick Observatory			\$60,000		\$60,000	\$60,000
Acad. Divisions	-20.20	\$1,656,000	\$2,895,000		\$2,895,000	\$4,551,000
Chan & CP Units			\$1,034,000		\$1,034,000	\$1,034,000
BAS						
General Operations			\$1,434,000	-\$351,000	\$1,083,000	\$1,083,000
OMP**			\$1,081,000		\$1,081,000	\$1,081,000
			\$2,515,000	-\$351,000	\$2,164,000	\$2,164,000
ITS			\$1,328,000	-\$1,238,000	\$90,000	\$90,000
Student Affairs			\$828,000		\$828,000	\$828,000
Colleges			\$41,000		\$41,000	\$41,000
University Relations			\$371,000		\$371,000	\$371,000
Divisional Targets	-20.20	\$1,656,000	\$9,012,000	-\$1,589,000	\$7,423,000	\$9,079,000
Total Reductions	-55.40	\$4,500,900	\$12,665,700	\$0	\$12,665,700	\$17,166,600

*Cuts will be taken centrally to "buy-out" the planning reduction targets for police and fire (\$351,000) and information technology (\$1,238,000).

**A separate allocation of \$2,428,000 will be provided to offset costs for increased workload associated with addition of 253,000 MGSF of new state-funded space.

Attachment B

Estimated Programmatic Reductions

	<i>Academic Support</i>	<i>Direct Instruction</i>	<i>Total</i>
Core Course Adjustments		\$300,000	
AHR Reorganization	\$98,000		
Savings from consolidation of Grad/Research	\$94,000		
Faculty Fellows Program	\$252,000		
Registration Fees	\$549,000		
Service Center Reorganization	\$1,100,000		
Fund Shifts	\$200,000		
Auxiliary Enterprises	\$500,000		
Miscellaneous Revenue	\$300,000		
	<i>\$3,093,000</i>	<i>\$300,000</i>	<i>\$3,393,000</i>

Attachment C
Summary of Proposed Reductions in Faculty FTE and Teaching Assistants

Faculty FTE (filled and unfilled)

	2003-04 Base	Enrollment Reduction	Stu/Fac Ratio	Other Reduction	New Base
<u>Allocated Centrally:</u>					
Instructional workload fund	18.00				18.00
Faculty Fellows Program	7.00			-7.00	0.00
Core Courses	18.00				18.00
Held for pending recruitments	4.00				4.00
Central Reserve	56.00	-8.20	-20.00		27.80
	103.00	-8.20	-20.00	-7.00	67.80
<u>Divisions:</u>					
Arts	81.00		-2.60		78.40
Engineering	73.00		-2.30		70.70
Humanities	148.00		-4.70		143.30
PBS	160.00		-5.10		154.90
Social Sciences	172.00		-5.50		166.50
Physical Education	1.00				1.00
Academic Administrators	15.00				15.00
	650.00		-20.20		629.80
Budgeted FTE	753.00	-8.20	-40.20	-7.00	697.60

	Teaching Assistants		
2003-04 Base	Reductions	New Base	
11.3	-11.3	0	
38.2	-0.9	37.3	
22.8	-0.6	22.2	
64.8	-1.6	63.2	
87.8	-2.1	85.7	
75.8	-1.8	74	
289.4	-7	282.4	
300.7	-18.3	282.4	

Attachment D
GUIDELINES FOR DIVISIONAL PLANNING TARGETS

Academic and Academic Support Divisions are asked to put the reduction plans into context of their entire budget, including a summary of current and future commitments of resources that affect the unit's flexibility. What new commitments have divisions entered into? What is the overall financial position of the unit? How will existing carry forward balances be used to pay for one-time divisional needs and to provide them with flexibility to phase in budget reductions?

General Guidelines for All Divisions:

- Review full complement of funding sources available to support programs and activities. Are there opportunities to tighten the budget by utilizing ongoing ad hoc revenues to support core activities?
- Identify potential consequences of each reduction option.
 - What are the risks? What services or functions will be affected?
 - Does the action shift the funding responsibility to another department or customer? Identify those departments (academic or academic support) or customers.
 - How many positions will be reduced or eliminated? How many of those are currently filled?
 - Is a transition plan needed to phase in the reductions? What is the time-line and how will transitional costs be covered?
 - What will be the impact on the management structure if business processes and IT personnel are relocated? Are there opportunities for restructuring/consolidating unit oversight?

Specific Guidelines for Academic Divisions:

- How will the reduction in ladder faculty FTE be implemented?
- Review divisional course load policies, leave and sabbatical replacement strategies, and curricular offerings to identify opportunities to reduce reliance on temporary faculty while ensuring students have access to courses needed to graduate. What contractual obligations limit near-term actions?
- Evaluate most efficient use of teaching assistants. Are discussion sections critical to the pedagogy in all cases where offered? Can the size of sections be increased?
- Are there opportunities for combining departments or departmental functions – e.g. curricular planning, advising etc.
- If the campus is asked to significantly reduce the number of new freshmen in 2004, what will be the immediate direct impact on delivery of the curriculum? E.g. reduction in the number of course offerings, discussion and/or lab sections? What will be the longer term impacts – e.g. as this cohort moves through the system in subsequent years?
- How will the proposed fee increases impact graduate programs?

Specific Guidelines for Academic Support Divisions:

- Identify essential and non-essential activities. What is base funding level required to maintain minimal service levels in essential activities. What is impact of reducing service to this level?
- Are there opportunities for combining departmental functions – e.g. reducing the number of managers by combining units?
- How will departments leverage new systems to reduce manual tasks?