

October 26, 2001

A Letter to the UC Faculty from Chand Viswanathan, Chair of the Universitywide Senate, University of California

The Coming Budget Crisis

Dear Colleagues:

With a new academic year underway, I extend warmest greetings to you from myself and from the Academic Senate's executive body, the Academic Council.

It is something of a tradition for the chair of the universitywide Senate to begin the academic year with a message to all Senate faculty. The chair's beginning-of-year message normally outlines a number of issues the Senate is likely to be dealing with during the year. In this instance, however, I will be reviewing only a single issue -- one that is important enough that it stands to strongly condition our working environment both this year and next. This issue is the University's budget.

The academic year had not even begun at most campuses when the terrible events of September 11 occurred. One of the consequences of this tragedy was a further weakening of national and state economies that were already in trouble. In August, Governor Davis asked state-funded agencies to develop scenarios that would allow them to absorb budget cuts of 3, 5, or 10 percent in 2002-2003. On October 11, he asked these same agencies to develop scenarios for cuts of up to 15 percent. This is not to say that the University is certain to have a 15-percent budget cut next year, but it does provide some sense of the magnitude of the problem the state and the University are facing.

For UC, a cut of 15 percent in state appropriations would mean a reduction of \$475 million in funding. By comparison, in the recession years of the early 1990s, UC's budget was cut by \$400 million over a three-year period. While the earlier cuts were applied against a much smaller base, this comparison does provide some sense of our current predicament. In October, the UC Regents were presented with these figures and others as a means of preparing them for difficult choices they will have to make over the course of this year. UC's Vice

President for Budget, Larry Hershman, laid out for the Regents five possible areas in which cuts could be made or University income boosted in order to deal with the coming budget shortfall. What follows is a review of all five areas, presented so that faculty might better understand what is being considered.

Salaries -- Vice President Hershman seemed to regard the merit portion of salary increases as a part of the budget that should go untouched if at all possible. He noted that, historically, the loss of salary increases is an action with long-term consequences. For a period in the early 1990s, UC faculty received either no salary increases or actual salary cuts. It then took the University the rest of the decade to bring faculty salaries back to parity with those offered by our "comparison-eight" institutions. Moreover, it's worth noting that UC is almost surely on this slippery slope *now*. UC faculty salary increases for 2001-02 amounted to merits plus a 0.5 percent cost-of-living or "range" adjustment. By contrast, last winter, the Office of the President calculated that UC faculty salaries would need a 3.9 percent range adjustment to remain at parity with comparison-eight salaries. While salary increases at our comparison institutions are likely to have been adjusted downwards since last winter, the likelihood is that UC lags the comparison-eight going into this difficult budget situation.

Student Fees -- UC has had no student fee increases in seven years; as a result, our annual undergraduate fees are perhaps \$2,000 below the average charged by our public comparison institutions. Over the past few years, there has been considerable sentiment among some Senate leaders for raising fees -- particularly in professional schools -- but state government has been intent on holding them constant, or even lowering them, as was done in 1998-99 and 1999-2000. The middle of a recession is, of course, a terrible time to raise student fees, but the Regents' October discussion made clear that this is one of the options that is being considered for next year.

Student Enrollments -- In the bad budget years of the early- and mid-1990s, UC continued to enroll all eligible students even though the state was providing funding for only a portion of the additional students who came to us. In the jargon of educational budgeting, UC was "over-enrolled," a condition from which it still has not recovered. The question presented to the UC Regents in October was: This time around, should UC limit enrollments to match funding? This issue gets to the heart of our instructional activities. For each additional student we enroll this year, the state is providing us with \$9,158 in additional funding. Thus, the costs of over-enrollment add up quickly. Per-student funding pays for new faculty, library books, lab equipment, and much more. UC has a long history of welcoming all eligible students who choose to enroll, but a break with this tradition is one of the options now on the table.

Targeted Cuts -- In the last few years, UC has received huge budget increases for programs that are not part of our core research and instructional missions. Funds have been supplied for professional development institutes, for student outreach, and for state-mandated research programs, for example. One of the options presented to the Regents was to reduce funding for such programs.

Summer-Term Instruction -- Over the past two years, the state and the University have agreed that UC will move toward increasing summer enrollments. The long-term goal is to make summer-term simply another academic term, like the fall, winter, or spring quarters. To this end, all general campuses have received state funding that has allowed them to reduce summer-term fees to the level charged during regular year. This past summer, three campuses -- Berkeley, Los Angeles, and Santa Barbara -- moved beyond this to "full state funding," meaning that fees were reduced *and* the campuses received as much in state support for each enrolled student as they got during the regular year. The plan had been to provide the remaining five general campuses with this level of funding beginning in the summer of 2002. Vice President Hershman told the Regents in October that the state's Department of Finance has now asked that this shift be delayed for a year.

Most experts seem agreed that the long-term economic prospects for California and the nation are bright. Right now, however, we have quite a short-term problem on our hands. The Senate will be consulting with the administration throughout the year on UC's response to its budget dilemma. I would welcome input from the faculty about what courses of action ought to be pursued or avoided in dealing with this problem. I will be in touch with you during the year through such vehicles as our publication *Notice*. In the meantime, you can be in touch with me by writing to me at chand.viswanathan@ucop.edu. I look forward to serving you in what promises to be a year of difficult decisions.

Sincerely,

Chand Viswanathan
Chair, Academic Council