

Town Hall Budget Forum

July 9, 2009

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Program

- Recent Budget History
 - Coordinating Committee on Budget Strategy
Co-Chairs Gene Lucas and Joel Michaelson
- Budget Status of State and UC
- Projected Impact on Campus Budget
- UC Systemwide Proposals for Furloughs and/or Pay Reductions
 - Summary of Campus Feedback To Date
- Questions, Comments & Discussion

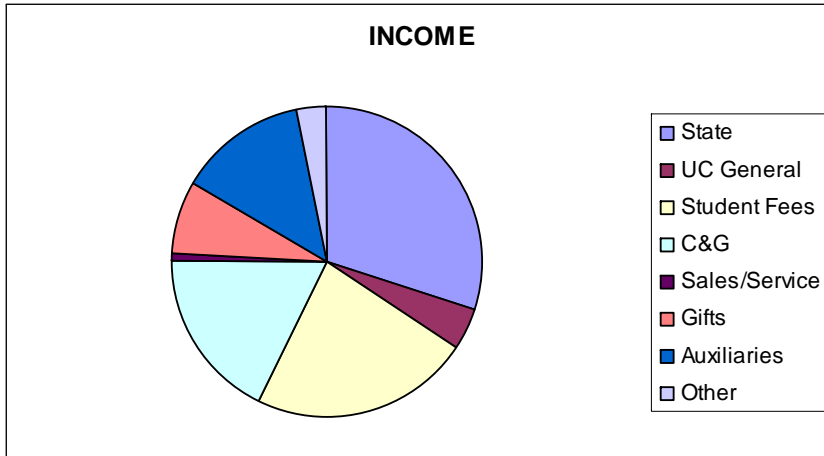
Planning, Consultation & Evolution of UC Systemwide Proposals for Furloughs and/or Pay Reductions

- President and senior leaders of UCOP consulted widely with the Chancellors, EVCs, UC Academic Council, and various other groups.
- On June 17, President Yudof sent out a letter proposing three furlough/salary reduction options, for purpose of consultation with the campuses.
- On June 26 he issued a video message to all faculty and staff, inviting an open dialogue on the proposals.
- On June 30, President Yudof sent out a follow-up letter regarding the thousands of communications and comments he had received. He has been listening and taking into account all the input received.

Planning, Consultation & Evolution of UC Systemwide Proposals for Furloughs and/or Pay Reductions – cont'd

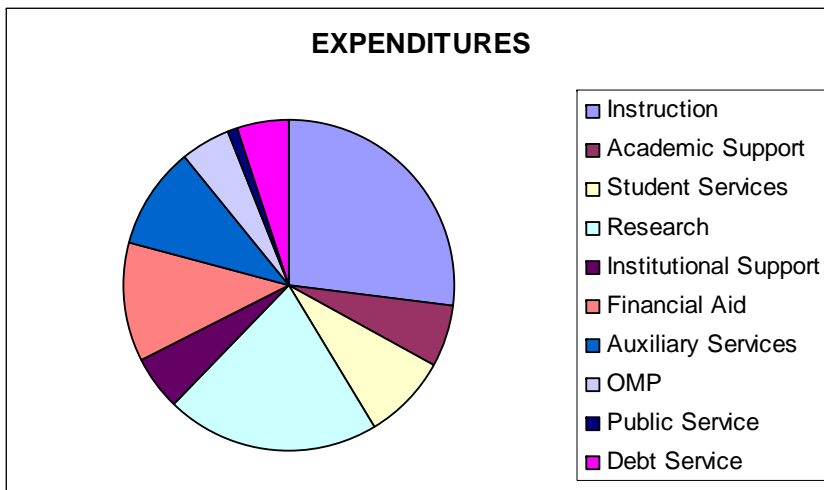
- President Yudof has continued to consult widely and, based on the feedback received from faculty, staff, and students, is preparing a proposal to the Regents.
- At our campus's town hall budget forum today, we are seeking more of your input: comments, concerns, reactions, and suggestions.
- Chancellors and EVCs will meet with President Yudof and senior officials on July 14, prior to the Regents Meeting, and will have another opportunity to provide input.
- Chancellors will have an opportunity to speak during the Regents Meeting on July 15-16, regarding the impact of the budget cuts on each campus.
- These processes will continue and we will hold more such town hall forums.

UCSB Budget



~\$740 million

~ \$220 million State Funds



Recent Budget History

- 2003-2007:
 - \$41 million permanent reduction
- 2008-09 – budget reductions an evolving picture:
 - \$8 million in Spring 2008
 - \$12 million in Fall 2008
 - \$16 million by Winter 2008-09
- 2009-10
 - at least \$45 million

Chancellor's Coordinating Committee on Budget Strategy (CCBS)

- History:
 - Established in 2003; used through 2007
 - Reactivated in 2008
- Composition:
 - Faculty, Staff, Students, Administrators (deans, VC's, Chancellor)
 - Co-chaired by EVC and Senate Chair, supported/staffed by Budget Office
- Meeting Frequency:
 - On average, every other week

Campus Budget Strategy Process

- Establish planning principles for budget reductions
- Understand budgets/impacts of major divisions on campus
- Identify and recommend possible additional revenue streams
- Recommend budget reduction targets to the Chancellor
- Review budget reduction strategies and ensure planning principles are followed
- Chancellor:
 - Consults on proposed strategies and budget issues (campus and system-wide)
 - Coordinates communications to the campus

Campus Planning Principles

- Strategic reductions (not uniform cuts)
- Prioritization (protect core mission)
- Revenue protection (development, research) and creation
- Recruitment and retention
- Strategic Investments
- Efficiencies
- Attrition vs layoff
- Spread budget pain to non-state-supported units

Budget Reductions Taken To Date (2003-2009)

	Chan	EVC	VCAS	VCIA	VCR	VCSA
03-04	10%	3%	10%	10%	7%	10%
04-07	6.2%	4.8%	8.5%	3.2%	3.3%	8.5%
08-09	12.2%	5.3%	8.5%	7.9%	7.6%	12.1%

Consequences of Budget Reductions

- Reduced Staff
- Reduced Services
- Reduced S&E, Travel, Publications
- Longer Response Times
- Reduced Classes
- Bigger Classes
- Increased Staff and Faculty Workload
- Reduced Matching Funds for Research

FY 2009-10 BUDGET

State Fiscal Condition

- In February a budget was approved that covered remainder of 2008-09 and 2009-10 fiscal years – supposedly eliminating a \$41.6 billion deficit
 - It included none of the ~\$640 million requested by Regents for enrollment growth, retirement contributions, fee increase offsets, research, cost increases.
 - Reduced the UC permanent budget by \$115 million
 - Relied on a set of proposals to be voted on May 19 to enact additional revenues

State Fiscal Condition – cont'd

- In the time since the February budget, state budget deficit has again rapidly grown:
 - 0 to \$15.4 billion by mid-May
 - \$21.2 billion, following defeat of proposals May 19
 - \$24.3 billion by end of June
 - \$26.3 billion today
- Governor is proposing to cover deficit with budget cuts and some borrowing from municipalities – outcome still unknown

UC Fiscal Condition

- UC faces at least \$800 million budget problem – combination of budget cuts and unfunded mandatory costs (benefits, overenrollment, purchased utilities, etc.)
- In addition to being huge compared to previous budget reductions, it is immediate

UC Fiscal Condition– cont'd

- Regents approved in May a 9.3% fee increase which will generate ~\$200 million in 2009-10
- President has proposed pay reductions to generate another ~\$200 million of salary savings
- This still leaves ~\$400 million to be found by budget reductions/revenue generation at OP and the 10 campuses

UCSB Fiscal Condition

- Impact of budget reductions and unfunded expenses to 2009-10 budget
 - State funding reductions \$40 million
 - New student fee revenue 7
 - Unfunded expenses 8
 - Unknown (OMP, additional cuts...) 4+
 - Total \$45+ million
- Pay reduction will generate about \$15 million, leaving \$30+ million still to address through cuts and revenue enhancements

UCSB Fiscal Condition – cont'd

- Vice chancellors, deans, department heads, Coordinating Committee on Budget Strategy actively looking at:
 - Program reduction
 - Reorganization and workforce reduction
 - Fee revenue
 - Alternative instructional delivery

Other Budget Concerns

- Increases in mandatory costs
- Collective bargaining negotiations
- Restart of employer/employee contributions to UC Retirement Plan
- Funding for capital program
- This is not the last year of anticipated budget reductions – there will likely be at least one or two more years!!

President's Pay Reduction Proposals

- 3 proposals
 - Pay Cut: 8%/4% Above and Below \$46k
 - Furloughs equivalent to 8%/4% pay reduction
 - Combination of Pay Cut and Furloughs
- Would not apply to students
- Would apply for one year (potential to extend)
- Soliciting feedback prior to Regents meeting this month

UCSB Staff and Academic Employee
Responses to Furlough/Salary
Reduction Options

July 2009

Responses to Furlough/Salary Reduction Options as of June 30th

- **331 Staff employee responses**
- Of those who chose to specify an Option:
 - 17 people chose Option 1
 - **162 people chose Option 2 !**
 - 17 people chose Option 3

Responses to Furlough/Salary Reduction Options as of June 30th

- 155 academic employee responses
- Of those who chose to specify an Option:
 - 8 people chose Option 1
 - 75 chose Option 2
 - 1 chose Option 3

Furloughs

- Most UCSB staff and academic employees, even when they did not specify one of the 3 options, clearly stated support for a reduction in work time if there is going to be a reduction in pay.

Furloughs

- Staff employee comments
 - Can get other jobs during furlough days and earn extra \$\$
 - Reduces commuting time and saves money on gas
 - Being home more days saves on the cost of child care
 - Having the additional time, even though unpaid, is better for campus morale.

Furloughs

- Academic employee comments

- Preserves annual salary rate which has an impact on summer salary earning and overhead from contracts and grants.
- Additional time, even though unpaid, is better for employee moral.
- Conveys to the general public the fact that this is not business as usual.
- A pay cut implies that one's services are worth less. A furlough implies that the employer cannot afford one's services.

Retirement implications and the START Program

- Forty-six (46) staff employees indicated an interest in using the **START** program in some way either as a mechanism to manage the pay cut or to use as a response to dealing with leave accruals, base salary and service credit issues.
- Other staff employees had questions about how **START** would work with budget cut or furloughs.
- Over 20 academics had questions about the impact on retirement benefits and service credit.
- *We still do not have answers for many of these questions.*

Retirement implications and the START Program

- Both Academic and Staff employees do not want any of the options to:
 - Negatively impact the retirement program
 - Reduce the employee's HAPC or service credit
 - Negatively impact vacation or sick leave accruals
 - Have a long-term impact on restoring base salaries

Progressive Salary Reduction Plan

- Over 54 staff employees and 35 academic employees commented on the **\$46,000 threshold** for determining a lesser percent salary cut.
- Most respondents thought that one level was not enough and that there should be graduated reduction plans so that the higher the salary the more the cut – up to some level. Most recommended more differentiation between \$40,000 and \$100,000 and above.
- Some few advocated for no thresholds...everyone is treated the same.

Progressive Salary Reduction Plan

- Salary inversion around the cut-off point was a concern voiced by staff and academic employees
- Implementing a “cut bracket” system similar to income taxes brackets where the higher rates apply only to the portion of the salary above the cut off was suggested by numerous respondents

Fund Sources

- Twenty-nine (29) academic employees raised concerns about extramural funding issues:
 - Summer research salary should continue to be calculated based on the normative salary rate rather than the reduced rate.
 - The impact on overhead and grant funded institutes and programs was raised by numerous faculty and research academics.
- There is no consensus of opinion among either staff and academic employees on whether or not fund sources should be a factor in the salary cut or furlough programs.

Issues Recurring in the Comments from Staff

- Keep paychecks constant each month
- No unpaid holidays; all furlough days
- Local discretion of when furlough days may be taken
- Those with 50% appts. had questions about their benefit status if they drop below 50%

Recurring Issues, cont.

- If you are at the minimum of your salary range – what happens when the 8% cut occurs?
- What if the 4%/8% cut reduces your salary below the minimum of the range. *We have 834 people in that position.*
- Can people voluntarily reduce their appointments or take a voluntary decrease in pay?

Recurring Issues, cont.

- How will terminal vacation be impacted by pay cuts or furloughs?
- How will a change in the base salary effect all the benefits derived from the base such as life insurance, workers compensation payments, social security wages, medical premiums, disability payments, etc.?

Recurring Issues, cont.

- How will part-time employees be impacted?
- How will contract employees be impacted?
- Will furlough or pay cuts be applied to rehired retirees?
- How will new-hire salary rates be determined?

Other issues recurring in the comments from Academics

- A pay cut implies that one's services are worth less. A furlough implies that the employer cannot afford one's services.
- Furloughs convey to the general public the fact that this is not business as usual.
- How can furloughs be applied to teaching faculty?

Other issues recurring in the comments from Academics

- Retention of current employees is of concern.
- How is the reputation of the University maintained if good people go elsewhere?
- How do we best plan going forward? Are steps being taken on a system-wide and campus-wide basis to guide the UC beyond the current fiscal crisis?

Q & A