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**PRESIDENT MARK YUDOF
UNIVERSITY OF CALIFORNIA**

Re: Academic Senate Comments on Furlough/Salary Reduction Plan Options

Dear Mark:

As you requested in your letter of June 16, I distributed the three proposed furlough/salary reduction plan options to the systemwide Academic Senate for review. The Academic Senate divisions and system-wide committees did an extraordinary job of eliciting and receiving input, and formalizing their responses. This morning, the Academic Council held a special teleconference to discuss the options and to finalize the Academic Senate's response. I would like to thank you for inviting the Senate's input and for waiting for the Senate's deliberations before making your recommendations to the Board of Regents.

The Academic Council cannot overstate the grave situation that confronts the University. The cumulative effects of decades of diminishing state support, combined with the current budget crisis, has brought us to a critical turning point in the evolution of the University of California. Steady deterioration of state support for the University is having a dramatic impact on the quality of the institution. Council members strongly emphasized that furloughs and salary cuts should not be considered by the Regents in isolation from other budget cutting measures and revenue enhancements such as halting capital projects; increased non-resident student enrollment; borrowing; property and asset sales; administrative efficiencies; streamlining administrative positions and salaries; and strategic program cuts. All should be discussed and addressed together as part of a comprehensive plan to maintain UC's quality while operating within a constrained State budget. At the same time, we must restore employees' total remuneration in the face of market lags, salary cuts, increasing health care costs, and the restart of employee contributions to UCRP. In recent years, the Senate has advocated for alternative approaches to budget planning. We refer you and the Regents to the Senate's "[Cuts](#)" and "[Futures](#)" reports, which unfortunately remain relevant, and even prescient, as we move forward in addressing our budget crises.

The Academic Senate recognizes the immediate need to cut the budget for the 2009-10 fiscal year. Furloughs or salary reductions are a short-term solution to a long-term problem and are palatable for

a defined, limited period with a fixed termination date **only** to buy time to allow for a more considered analysis and the development of a long-term strategic plan. Because the budget crisis is highly likely to continue for more than one year, we request that you require the Chancellors and EVCs to devise alternative ways to meet future budget shortfalls without resorting to an extension of furloughs or salary reductions. This process should begin no later than six months into the fiscal year to allow for adequate and constructive consultation. It should be acknowledged that any extension would be calamitous for faculty and staff morale, as well as for retention. Council members would like to see the administration clearly demonstrate that aggressive practices to reduce costs and enhance revenues have been implemented before extending furloughs or salary cuts in any form.

Finally, the Academic Council would like to register its objection to several aspects of the process for comment on these proposals. While input was sought and received from a broad cross-section of UC employees and through innovative means, the truncated timeline for comment was inadequate. More importantly, the information provided in the plan was incomplete and did not include justifications for the three options, any legal analysis of the options, a comparison of the impacts of the three options on education and research, or an analysis of unintended consequences. Many divisions and committees (UCB, UCM, UCR, UCAP, UCPB, UCFW, UCORP, UCPT) specifically stated that they could not meaningfully evaluate the options because of insufficient information. They requested data and comparative analysis of the plans' effects on: 1) the merit and promotion process; 2) retirement; 3) how funds saved by cuts to grants and professional services could be used; 4) alternative ways to cut budgets and increase revenues; and 5) instruction. Many details of implementation were omitted. For example, our Privilege and Tenure committee asked whether tenure, promotion and job performance criteria for faculty will be adjusted to ensure a common, system-wide standard, and by whom. The Council felt strongly that detailed information on implementation with regard to potential exemptions, structure, etc., needs to be provided to all employees. While the FAQ website assisted with this knowledge during the review process, it was too limited in scope and detail. Finally, an evaluation of the effectiveness and effects of the final program should be conducted; the Senate is willing to assist in this effort.

Moreover, the Academic Council was extremely disappointed by the limited and simplistic options presented for confronting the budget crisis, feeling strongly that furloughs and salary cuts should not be considered by the Regents in isolation from other budget cutting measures and revenue enhancements. Of particular concern is the fact that the Council and broader Senate will not have an opportunity to comment on the final plan to be presented to and voted upon by the Regents.

Following are our specific comments and concerns on the options presented, followed by a plea for improved strategic planning to begin immediately.

Furloughs (Option 2) Preferred. While the Senate finds this situation lamentable and believes that furloughs and salary cuts should be a last resort, we have opined on the options presented. All ten divisions and seven committees (UCAAD, UCAP, UCCC, UCFW, UCORP, UCPB and UCPT) submitted written comments. Of the 17 responses received, three respondents (UCSD, UCORP, UCPB) did not endorse any of the options, eleven respondents preferred Option 2 (furloughs only), and three respondents did not choose among the options. None preferred Options 1 or 3, although some segments at various campuses (particularly professional schools) prefer across-the-board salary cuts to furloughs.

Thus, there was significant support for furloughs in lieu of salary reductions. Several respondents maintained that salary cuts should not be preferred simply because they are easier to implement.

Rather, the University should justify the decision on the basis of clearly articulated fundamental values (e.g., progressivity, etc.). Whether furloughs or salary cuts are implemented, Council felt that they should only apply to the equivalent of covered compensation.

Many committees and divisions emphatically maintain that specified furlough days should not fall on designated holidays (UCB, UCD, UCI, UCLA, UCM, UCSB, UCSC, UCSF, UCAAD, UCFW) or should be on a mix of paid holidays and days that affect the delivery of campus services (UCR). Most Senate members felt that furloughs should have a visible impact and demonstrate that reductions in funding lead to reduced services. UCB and UCM suggest that furloughs should be used to reduce the length of the academic year (i.e., reduce the number of days of instruction) in order to dramatize the effects of budget cuts. On the other hand, UCSB notes that a faculty furlough program should ensure that instructional activity is not arbitrarily disrupted and should include guidelines on appropriate ways to reduce workload. Like closure days for the Department of Motor Vehicles, Senate members felt strongly that the University must visibly demonstrate the consequences of reduced funding.

Reasons for supporting furloughs include:

- 1) Furloughs are temporary and can easily be reversed, whereas salary cuts may never be restored;
- 2) Non-holiday furloughs are visible and dramatize the effect of budget cuts. Reductions in compensation should be accompanied by reductions in workload, while a salary cut would require delivery of the same services for less money;
- 3) Furloughs would affect everyone equally, while salary cuts would affect HAPC, and therefore would have a greater negative impact on those close to retirement;
- 4) It is unfair to ask staff to take a pay cut without a workload reduction, so faculty favor furloughs in deference to staff;
- 5) Non-holiday furlough time can be used by many categories of employees to supplement their incomes (through consulting, etc.) and could potentially save employees the cost of transportation and child care;
- 5) Furloughs could be structured to allow faculty and staff to increase effort to fulltime with funds derived from non-state sources;
- 6) Furloughs can be implemented incrementally in response to campus-specific progress on other budget reduction measures.

Protect Retirement Benefits. The Senate urges the President to ensure that service credit for retirement is protected, and to provide a full analysis of the plan's effect on retirement (UCB, UCD, UCI, UCLA, UCR, UCSB, UCSC, UCSD, UCAP, UCPB, UCFW, UCORP, UCPT). UCORP states, "Protecting retirement benefits should neither be negotiable nor left to Regental discretion." UCFW's analysis shows that Options 1 and 3 would result in dramatic inequities among employees unless UCRP benefits are protected. While furloughs result in a small reduction in service credit that applies equally to all employees, salary reductions would have a large, adverse effect on those who are close to retirement. For instance, UCFW projects that an 8% pay cut for three years for a Professor Step VI who retires at age 60 with 30 years of service credit would mean an annual reduction of retirement income of at least \$6,375. If the professor lives for 20 more years, her or his cumulative loss would be \$127,500. Options 1 and 3 also likely would result in changes in retirement behavior (UCD, UCFW). Similarly, other benefits, such as insurance benefits, leave accrual, etc., should not be affected by a salary reduction and should be calculated at the pre-reduction rate, as service credit has been calculated in the START program.

UCD also notes that currently, vested employees supported by extramural funds accrue retirement benefits (a liability for the University) without individual or funding agency contributions. The current budget crisis offers the opportunity to prepare the campuses and employees for restarting contributions to UCRS. If those with salaries funded from extramural resources are exempted from a pay reduction, perhaps an equivalent portion of their salary could be set aside for contribution to UCRP. At the very least, the Office of the President should require that all new extramural funding submissions include funds allocated to UCRP in order to prevent further liability and to ensure the long term viability of the retirement system.

Exemptions. By a voice vote during our teleconference, the Academic Council unanimously agreed that the plan should not apply to student employees, graduate students, post-doctoral fellows, or health science trainees due to the educational nature of these appointments and their very low salaries (see specific comments from UCD, UCLA, UCSF). Persuasive arguments supporting this position from UCD's Graduate Council and its Postdoctoral Scholars Association are enclosed as part of the Davis Division's comments. UCSF is particularly concerned about the negative impact on research and clinical care if these groups are not exempt from furloughs or salary cuts. In addition, failure to exempt post-doctoral fellows would create inequities between those who receive their funding directly from the funding agency (e.g., NIH training grants) and those who are paid through the University payroll system. Finally, essential personnel, including those who care for plants and animals used in laboratory research, should be exempted from furloughs (UCD, UCR, UCSF).

Cuts to Non-State Supported Salaries. While the general faculty is divided on whether salary reductions should be applied universally or only to those salaries supported by state funds, a majority of the Senate respondents believe that cuts should not be made to salaries supported by non-state money. Six divisions oppose a uniform plan, and two divisions favor a plan applied to all (two divisions did not take an explicit position). UCB, UCD, UCLA, UCSB, UCSD, UCSF and UCAAD contend that cuts to salaries on soft money would produce greater harm than benefits. Such a policy would: 1) make UC less competitive in research; 2) produce negative unintended financial consequences for UC; 3) impede retention of the best faculty; 4) hurt faculty morale; and, as noted above, 5) unnecessarily reduce contributions to UCRP. UCSB strongly argues, "The principle of equity seems weak compared to the potential harmful impact on the overhead revenues for the campuses." UCD concurs that cutting grant-funded salaries could damage the University's research reputation and competitiveness. The Davis Division argues, "Any short term benefit achieved by a uniform salary reduction is outweighed by UC's failure to meet the commitments made upon acceptance of contracts and grants and is likely to reduce UC's extramural funding." A letter from UCSF's Committee on Faculty Welfare states that UCSF will lose millions of dollars in indirect costs from salaries funded by external sources, as well as from clinical revenues due to reduced productivity, and could potentially lose contributions to UCRP. UCLA states that the University may lose funds in the following ways: 1) the federal government may not allow carry-forward of unexpended funds; 2) funds awarded under the American Recovery and Reinvestment Act must be returned to the government if not expended for their intended purpose in the year awarded; and 3) stipend levels of NIH postdoctoral trainees are mandated with no allowance for partial stipend payments and the entire stipend must be returned if NIH rules are not followed.

UCSF contends that faculty morale will suffer because the salary reductions of those who are supported by grant and contract funds will not enable the University to realize savings applicable to the general budget. They also note that several major public universities have implemented salary cuts excluding grant-funded employees. UCSD and UCSF add that by reducing salaries or

implementing furloughs, UC is in jeopardy of losing many talented faculty members to competing institutions that offer higher salaries. This ultimately could lead to diminishing the quality of UC.

Additionally, UCAAD states that Adjunct Professors, who often are supported primarily by non-state funds and whose ranks are composed disproportionately of women and racial and ethnic minorities, would be adversely affected. UCAAD also notes that a furlough plan that reduces the workload of employees who work 50% time, jeopardizes their medical benefits. Thus, benefits of all employees who drop below 50% time should be protected.

The legitimate uses of salary savings from non-State sources must be clarified, as well as whether faculty may use grant funds to replace salary lost via furloughs. UCSB and UCLA argue that faculty should be allowed to recover salary by paying themselves with grant, contract, or gift funds, or augmenting their income through summer salaries not subjected to the cuts. UCORP explicitly opposes cost-shifting and notes that UCOP must perform oversight to ensure that this does not occur. UCORP also noted the lack of analysis of the differential effects on grant-reliant campuses of redirecting soft money. UCR's Planning and Budget committee states that it is vital that the accounting process be described transparently, including how much money was generated, how it was used to meet the savings goals of the campuses, and how the 8% cut was derived.

UCI, UCR, and UCORP supported the notion that all employee classes should share the burden for reasons of morale. UCI argues, "The budget crisis is affecting the whole university and all groups who profit from being part of this great university should bear part of the burden of overcoming the crisis." Following that logic, UCI's Senate Cabinet supports returning all salary savings to the central administration, rather than to the units, to reduce the funding gap. UCR adds that it is unjust to privilege some cohorts of faculty by exempting them from cuts, and that all Academic Senate members should be subject to the same cuts. UCSC cautions that exempting non-state funded employees from salary reductions may accelerate the privatization of the UC system, and "implicitly introduces an overt tiering of the UC system between private- or federally-funded parts, and the employees who teach students and hence rely on state funding."

In summary, there are legitimate, impassioned arguments on both sides of the question as to whether it is more equitable to cut or exempt non-State funded salaries. We found ourselves debating the issue and definition of equity, finally determining that "equity is in the eyes of the beholder," so much so that, in the end, the concept of "equity" is of little utility for justifying a decision.

Progressivity. Many respondents called for greater progressivity in any plan (UCB, UCD, UCLA, UCM, UCSB, UCSC, UCAAD, UCORP, UCPB). The allocation of furloughs or salary reductions should be implemented by salary level, with several intermediate levels and greater protection for the lowest paid cohorts of faculty and staff. In order to recruit and retain the best faculty, every effort must be made to alleviate the financial burden on lower-paid Assistant Professors. UCD suggests that salary reductions be tiered so that greater percentages of salary cuts are applied to higher salary brackets (e.g., a 4% cut on the first \$46,000, an 8% cut on the next \$50,000, etc.). Some suggested that administrators set an example by taking a larger pay cut than faculty or staff (UCPT). However, a minority of respondents is concerned that graduated cuts will make the most marketable faculty susceptible to external offers (UCLA, UCSC).

Some committees and divisions suggested ways to mitigate the effects of reductions in an effort to retain faculty, such as inflating teaching credits, issuing IOUs, reimbursing fees for dependents of employees (UCR, UCSB), and assisting those with University-sponsored MOP loans who no longer

will be able to afford their mortgage payments due to the reduction of their salaries (UCLA, UCM). We look forward to exploring these and other options for mitigating the effects of this program on faculty retention.

Campus Flexibility. Five respondents strongly argued that campuses must be given flexibility in implementing cuts in a manner that best meets the needs of the individual campuses (UCB, UCLA, UCSD, UCSF, UCORP). They noted that it is impossible to apply an across-the-board solution when campuses vary so much in terms of structure, needs, and state support (e.g., at UCSF only 7% of salaries are state-funded, while 57% of salaries are state-funded at UCM). UCSF is concerned that furloughs or salary reductions could negatively impact clinical care. UCB would prefer the latitude to use a variety of resources to achieve a centrally prescribed level of savings. The UCB letter states, “Each UC campus is unique in its operational demands, resource pools, sources of savings, and possibilities for revenue generation. Campuses may be able or may choose to realize different levels of immediate savings through administrative centralization, programmatic restructuring, reliance on reserves, or reductions in non-core programs.” UCSD suggests allowing each campus to develop its own furlough/salary reduction plan for state-derived funds in consultation with vice chancellors and the divisional Senate. In addition, UCORP suggests that UC develop a set of principles that apply to all campuses, as well as a set of guidelines for creating and implementing division-specific strategies for recovering the desired savings that abide by the systemwide principles. UCM cautions that allowing campuses to shift savings from auxiliaries and other resources to offset campus shortfalls will reinforce existing inequities in the UC system. Merced also notes that their campus is particularly vulnerable to budgetary cuts (e.g., the loss of a single faculty member can derail a major and the inability to hire is creating serious workload issues). While UC is one system with ten campuses, given their diversity, one size does not fit all. As we have heard you say many times, each campus is best fit to make its own decisions, with oversight.

Strategic Plan. While the above comments are specific to the proposed options, the Senate review placed considerable emphasis on developing a strategic plan. Council urges you to develop a long-term strategic plan to ensure the University’s viability in an era of shrinking state support (UCB, UCI, UCM, UCSB, UCSC, UCSD, UCPB, UCORP). UCPB recommends that the long-range planning model presented to the Regents by the Blue Sky Consulting Group in September 2008 be used to analyze the impact of furloughs and/or salary cuts compared to other options, as well as to develop a strategic plan. An examination of the effects of these cuts on institutional quality and the University’s teaching and research missions should be conducted and submitted to the Senate (UCSC, UCSD, UCPB, UCPT).

Given that our budget problems are likely to be ongoing, several divisions and committees also urged the administration to develop budget reduction strategies earlier in the year in order to allow more time for consultation and careful consideration next year (UCSB, UCPB). UCPB specifically requests that at their November 2009 meeting, the Regents consider the impact of any temporary measures adopted in July and begin planning for the next fiscal year at that time. Many cited a preference for the Chancellors to present targeted, strategic budget reductions rather than across-the-board approaches. Respondents also emphasized the temporary and emergency nature of reductions and the need to develop a plan to restore compensation (UCB, UCD, UCM, UCR, UCAP). Some respondents also asked that serious consideration be given to additional fee increases (UCD, UCI, UCSB) or increases in non-resident student enrollment in order to raise revenue. Finally, several divisions and committees remarked that the effect of the cuts on total remuneration, as well as anticipated increases in health care costs and employees’ contributions to the retirement fund, should be enumerated.

In conclusion, we urge you to communicate to the legislature and to the public that the University of California is the engine that drives the state's economy and that an investment in the institution is an investment in the state's recovery. We heartily concur with the July 6 letter to Governor Schwarzenegger from over 300 UC members of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine that details the ways in which UC has driven the state's economic and technological growth. We also would like to take this opportunity to encourage the Office of the President and The Board of Regents to produce a comprehensive, strategic plan for UC's future that will sustain the outstanding faculty, staff, and students that collectively constitute the finest institution of public higher education in the world.

Please do not hesitate to contact me if you have any questions regarding Council's comments or concerns. Thank you again for being receptive and responsive to receiving input from such a broad array of University voices, and for taking our concerns into thoughtful consideration.

Sincerely,



Mary Croughan
Chair, Academic Council

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