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Professor Mary Croughan
Chair, Academic Senate
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

SUBJECT: Proposed Options for Furlough/Salary Reductions Proposed by President Yudof

Dear Chair Croughan:

In response to your request of June 16 for expedited review and comment, the San Diego Divisional Senate Council considered the Furlough/Salary Reduction Plan Options proposed by President Yudof. Some Council members were able to gather comments from committee members, and the Senate Council discussed this matter at a special meeting on June 29. Senate Council members were **unanimous in rejecting** the three options proposed by President Yudof.

Academic Merit: Reviewers were concerned about the possibility that academic merit increases and merit reviews would be suspended next year. The Senate Council was pleased to note that this idea has been set aside for the time being.

Impact on Retirement System: Members were also very concerned about the potential impact of a furlough/salary reduction on UCRP. Until President Yudof's recent video presentation, there had been no explicit acknowledgement of the need to protect retirement benefits. Council members were pleased to see President Yudof state his willingness to recommend protecting retirement benefits to The Regents.

Campus Autonomy in Budget Decisions: Reviewers strongly supported local, campus autonomy for making decisions about how to meet budget reduction goals. While acknowledging that any plan that the Office of the President circulates may need to be easy to understand, and easy to implement, the argument was made that the three plans presented by President Yudof are too simplistic. All three plans have serious flaws and do not address key issues, such as the need to protect the retirement system. The plans also do not address the argument that it may be better for individual campuses to decide how best to meet the budget reductions and that best approaches may vary among the campuses. The plans do not justify the cutting of non-state funded salaries. Council members agreed and unanimously passed the **following resolution to UCSD Chancellor Fox:**

Whereas, as UC San Diego approaches its 50th anniversary, having achieved great national and international distinction, our academic excellence – built upon sound policies of fiscal responsibility and restrained growth – will be irreparably harmed by implementation of any of the three options for budget reduction recently proposed by President Yudof,

Therefore, we call upon you, Chancellor Fox, to act on behalf of your faculty by directly and aggressively advocating with President Yudof for local budgetary autonomy in place of the three options he has presented.

Equity: Various views and definitions of equity were expressed during the Council's discussion. Members agreed that any furloughs/salary reductions should not be imposed on UC employees who are paid on non-state funds. Arguments were made that imposing such reductions on non-state funded employees would substantially reduce overhead income to the University and, in the end, cost the University much more, especially since such savings cannot be directed to offset the reductions in state funding. Council members acknowledge that a good reason for cutting salaries funded by non-state sources may exist, but it has not been explicitly stated to date.

Another form of inequity would result if represented employees are subject to layoffs rather than furloughs/salary reductions. In this situation, some employees would suffer greatly (i.e., be laid off), while others would see no difference in either salary or time.

Additionally, across-the-board furlough/salary reductions would cause serious harm to not only the University of California, San Diego, but also to the entire California economy. UC employees would not be spending at the same rate as they otherwise would be, negatively impacting both income tax and sales tax revenues and thereby further damaging the state economy.

Senate Council members approved a letter to UC San Diego Chancellor Fox conveying the **unanimous opposition** of the Senate Council to the three proposed options and supporting the limiting of furloughs/salary reductions to the portion of salaries funded by the State. The text of this letter is as follows:

Dear Chancellor Fox,

The Senate Council recognizes that the University of California is in a difficult fiscal situation and that President Yudof bears the responsibility for proposing possible solutions to The Regents. The Council was pleased to note that President Yudof has publicly expressed his commitments to continue academic review processes and merit funding; to exempt graduate students and postdoctoral fellows from furloughs/salary reductions; and to ask The Regents to protect employee retirement benefits no matter what furlough/salary reduction plan may ultimately be adopted. These are important principles, and the Council appreciates the President's commitment to protecting them.

Nonetheless, I write to express the unanimous opposition of the Senate Council to the three options for budget reductions in the Furlough/Salary Reduction Plan transmitted by President Yudof in his letter dated June 16, 2009.

While we recognize that salary reductions or furloughs may be necessary for salaries derived from State sources, to impose such cuts also on salaries derived from external sources (e.g., clinical income, federal contracts and grants, private donations) would be unnecessarily punitive. At UC San Diego (including the UC San Diego Medical Center), only 25% of all salaries are paid on General Funds that come from the State of California. The remaining 75% comes from external sources, including federally funded contracts and grants that accrue overhead to the University.

Uniform furloughs or salary reductions will: (a) greatly harm morale among the academics and staff who have been so successful at the innovations and discoveries that make UC San Diego one of the top research universities in the world; (b) make UC less competitive in the future and lead to serious hiring and retention issues; (c) have negative unintended financial consequences on the budget of UC and of the State of California (e.g., reduced overhead accrual, reduced income taxes, and decreased spending power); and (d) potentially worsen the underfunding of the UC retirement system.

Summarizing, we firmly oppose any furlough/salary reduction option that precludes the legitimate use of external sources of funds to cover salaries. We request that any policy regulating furloughs and pay cuts be limited to the portion of salaries that are funded by the State.

While we have limited our comments to the specific case of UC San Diego, similar arguments would also apply to other campuses within the UC system. This is all the more reason for the UC Office of the President to allow each Chancellor and each campus to develop its own furlough/salary reduction plan for State-derived funds, in consultation with all Vice Chancellor areas and the traditional bodies of shared governance.

Lastly, we ask you to communicate this letter to President Yudof. We will also ask Academic Council Chair Croughan to do the same.

Strategic/Long-Range Planning: Council members decried the lack of cost/benefit analyses for the three furlough/salary reduction plans, relative to the savings goal. Without such analyses, and without the opportunity to look at the budgetary situation on an overall basis, no rational basis exists from which to judge or compare the

three options. The even larger budgetary issues looming in the future emphasize the critical need for UC to have a strategic, long-range plan, one that will see us through this phase of budget reductions while maintaining the quality of the University in the long term. Council members feared that there has been no thought of what comes next, after the current round of budget reductions, leaving the University unprepared for the future. Increased fee levels and a different mix of in-state and out-of-state students are two aspects that need to be part of future thinking.

Educational Impact: Reviewers were also concerned that the impact of the reductions on the educational mission of the University has not been discussed as much as the equity and retirement issues. On the one hand, cuts are forcing the University more toward a state university model, where faculty are asked to teach more for less. On the other hand, the need to generate revenue has UC looking toward the private school system, where more out-of-state students would be accepted and higher fees would be charged. The danger seen is that the quality of a UC education will erode, and best faculty members will leave, thus making it harder to justify higher fees because the University will no longer be providing the same, high level of education. The lack of a strategic plan as to what the University of California wants to be in the future is evident here, also.

The San Diego Division appreciates the opportunity to comment on President Yudof's proposal. We take this opportunity to express deep disappointment in the three options for furlough/salary reductions proposed by the Office of the President. A few months ago, President Yudof stressed the importance of making targeted, strategic budget reductions that would preserve and enhance the quality of the research and educational missions of UC. As the budget crisis has worsened, we had an expectation that the Office of the President would produce a thoughtful, forward-looking, and detailed plan to achieve budget reductions. Instead, we have been asked to choose between three overly simplistic, across-the-board, naively conceived budget plans that will do more harm than good and which ultimately threaten to undermine the underlying essence of quality in education, research, and service that we all try to achieve at UC San Diego and, indeed, throughout the system.

We take this opportunity to encourage the Office of the President and The Board of Regents to step back from these three options as proposed and to produce a plan for budget reductions that is worthy of the outstanding faculty, staff, and students that collectively constitute the finest institution of higher education in the world.

Sincerely,



Daniel J. Donoghue, Chair
Academic Senate, San Diego Division

cc: W. Hodgkiss
F. Powell