

UC President Proposes Plan to Address Fiscal Crisis

July 10, 2009

[More Information about the UC Budget Reduction Proposals.](#)

University of California President Mark Yudof today (July 10) released details of a proposed plan to offset an anticipated \$813 million reduction in support from the state General Fund. It will be presented Wednesday to the Board of Regents, which has final authority on the matter.

Yudof said the proposal was guided by a principle of shared sacrifice. As outlined, students, faculty, staff and administrators all will play a role in filling the gap in the university's core funding.

"There is no question that the cuts to come will hurt," said Yudof, who briefed reporters on the plan at UC Office of the President Oakland headquarters. "But we have worked hard to bring fairness to the process. At the same time, it's imperative that we do the best we can to preserve the university's ability to deliver high-quality education, research and patient care."

Yudof was joined at the briefing by Russell Gould, the new chairman of the Board of Regents. Gould, a former state director of finance, said declining state support has created a pressing need to re-examine the UC model. Gould said he will share with the Regents next week his intention to form a commission that will take up this work at once.

"President Yudof and I agree we can't keep limping along like this, from budget cycle to budget cycle," Gould said. "If there is any good news in this present financial crisis, it's that, in the long haul, it will force us to forge a new path for the university - one that addresses stubborn fiscal realities, but that also allows us to preserve and nurture our world-class public research university system."

Yudof said the proposal to close the \$813 million budget gap was formulated after weeks of consultation and input from across the UC community. Thousands of suggestions were received and considered.

"Those who answered my invitation to contribute to the discussion influenced the final shape of this proposal, particularly as it deals with furloughs and salary reductions, more than they might imagine," Yudof said. "The quality of the ideas, and the passion so many of our employees expressed for the university, made me proud to be a part of this institution."

Yudof described the overall plan's main pillars as follows:

A quarter of the \$813 million gap will be filled in the form of a previously approved student fee increase. Another quarter will be gained through what Yudof termed a modified furlough plan.

To be implemented Sept. 1, the furloughs will be administered systemwide, with some exceptions, and progressively scaled to ease the burden on those who earn less.

This course was chosen after UC employees indicated a clear preference for furloughs rather than across-the-board pay cuts.

Through the refinancing of debt and further administrative cost controls, the university will gain another \$100 million offset against the \$813 million shortfall.

The remainder of the gap to be closed - \$300 million in all - will come from cuts spread across the university's 10 campuses. The specifics of those cuts will be left to individual chancellors, who will make presentations to the Regents at the July 15 meeting.

A sampling of the campus-level cuts already in the works makes clear the depth of the dilemma caused by the drop in state support: UC Berkeley, for example, anticipates reducing faculty recruitment from a typical 100 positions a year to 10. UC Irvine has halted admission to its doctoral program in education. UC Davis has eliminated the School of Medicine liver transplant program.

Moreover, most campuses are deferring at least 50 percent of planned faculty hires, and already 724 staff members have been laid off systemwide, with more to come. In advance of these cuts, the UC Office of the President already had cut annual costs by \$60 million and reduced payroll by one-third.

Yudof described the financial crisis facing the university as more severe than any seen in a quarter century at least, not only in terms of the size of the cuts but also the speed with which they must be executed.

"There will be real pain on every campus," he said.

He noted that declining state support for education is not unique to the University of California, with the California State University system and California Community Colleges facing severe reductions in support as well. Across the nation, public universities in many states have been forced to contend with a shrinking share of their state budget, leading to widespread re-examination of options for future funding and delivery of services.

"Within the University of California," Yudof said, "we're going to have to look at everything, at where the revenue is coming from and how to enhance it, and how to reduce expenditures without closing the door to student opportunity and research."

Gould said the commission will explore new visions for the university's future. The intent is to reach out to the entire UC community and an array of experts and examine such critical questions as: What should the size and shape of the university be going forward? What are the best educational delivery models? How can traditional and alternative revenue streams be pushed to maximum value?

"We will act now and gather the best minds available inside and outside our system, and ask that they use this moment of crisis to re-examine, reset and take a hard critical look at how we face the future," Gould said. "One thing is certain: It is impossible to imagine a successful California that doesn't rely on the innovation gained through research conducted by the University of California. This will be especially true as we move forward into an information economy."

President Yudof, in closing, said, "We must use every means at our disposal to find a way to maintain the excellence in education, research and patient care that California has come to expect from the university. Mediocrity is not an option."

News of the proposal was transmitted electronically to UC employees earlier Friday morning. It will be discussed in public session Wednesday before the Regents' finance and compensation committee at the July board meeting, to be held in the Mission Bay Community Center (1675 Owens St.) on the UCSF Mission Bay campus.

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