

June 2009

Dear Campus Colleagues:

As you are undoubtedly aware, California's financial crisis has worsened severely in recent weeks; this means that the likelihood of unprecedented cuts in State funding of the University has risen dramatically. UC Berkeley is facing the most difficult financial situation that we have ever encountered in our university careers.

We know that you have been hearing rumors about a number of potential actions designed to reduce costs not only at Berkeley but across the system. We want to lay out the financial context for you, tell you what we think may happen, and let you know our leadership strategy for the Berkeley campus as we manage through these difficult times.

Today, we find ourselves facing stark new realities.

Six weeks ago, UC Berkeley faced a \$67.2 million budget gap for 2009-10. That anticipated shortfall has now grown to \$145 million. Here is how we have been working to address the anticipated shortfall.

* The recently-enacted 9.3% student fee increases and other revenue-enhancement measures that become effective July 1, have reduced the \$145 million gap by \$30 million.

* In addition, through the work of many of you, our cost-saving measures introduced in 2008-2009 have further reduced the gap by another \$15 million.

* That leaves us, at present, with a \$100 million remaining gap for the academic year 2009-2010. We are hopeful that this gap

will not grow further as the State finalizes its budget, but we must assume that this is our working target as we plan for the coming year.

* The possible loss of the Cal Grants program, as proposed by the Governor, is not included in the above totals. These grants total \$47 million annually to the UC Berkeley campus. They cover fees for a large number of our undergraduates. The loss of Cal Grants would not only disadvantage those students; it would fundamentally subvert our social imperative to provide broad social access to the excellence at UC Berkeley. The Joint Legislative Budget Conference Committee has proposed protecting student awards for 2009-2010 grants, but that is not 100 percent certain.

* Federal stimulus funds are beginning to trickle in, but are not designed to cover existing core operations.

UC Berkeley, of course, is not alone in facing these challenges. Private universities have suffered major declines in their endowments while public universities nationwide have experienced severe cuts in State support.

This basically means that we are now facing a reduction of our baseline budget that will likely continue, and may even deepen, over multiple years. These unprecedented developments require us to examine the underlying assumptions that guide us in delivering and supporting the University's mission of teaching and learning, research and scholarship, and public service.

For UC Berkeley, this much is certain: all of us—students, faculty, staff, and senior administrators—will be required to sacrifice as we navigate our way through this crisis. At the same time, it is essential that we work together to address the formidable challenges ahead of us.

Our budget planning scenarios, which had earlier anticipated an average of 8% permanent budget cuts to all campus units for the coming fiscal year, will now likely be at a campus-wide average of 20%. While some units will need to spread the cuts over two years, the campus average cut must be at least 12% in 2009-2010. The remainder must be taken by 2010-2011.

These cuts will not be uniform "across-the-board"; units that are core to the teaching and research missions will be given somewhat lesser cuts than the others, and, within the teaching-and-research realms, units with higher capacity will be asked to take larger cuts than those with lower capacity. This is the only rational approach in a campus like ours if we are to preserve our depth and breadth of academic excellence-our principal competitive advantage.

Clearly cuts of this magnitude will require all areas of our campus to sacrifice considerably, and to make changes in their core operations. We will need to reduce our workforce significantly and this will be painful and difficult. To accomplish this, we will also need to make changes to our core operations and the way we do our work. All of these efforts will take time to achieve.

Over the summer, managers will work with their units to make difficult but necessary decisions about reductions in our workforce, while determining which services we can eliminate or curtail. Naturally, all policies and procedures will be followed, and we will work to treat our people with the respect and dignity they deserve under these very difficult circumstances. We are sensitive to the impact of staffing reductions on the workload of remaining staff and are seeking ways to streamline our business processes.

As each unit or department works to meet our new budget number, many specifics remain unclear, requiring approval by the Office of the President and the Regents for system-wide implementation. We would like to inform you of those things that are likely or certain to occur in 2009-2010.

What We Know for Sure

* It is, unfortunately, certain that, during 2009-2010, efforts to implement permanent budget cuts at all UC campuses will result in the elimination of many staff positions.

* It is certain that, during 2009-2010, there will be a near-total freeze in new faculty hiring at UC Berkeley.

* It is certain that, during 2009-2010, a staff hiring freeze at UC Berkeley will remain in effect.

* It is also certain that there will be no faculty or staff early-retirement programs at UC campuses on the order of the VERIP of the 1990s.

What is Likely to Happen

* It is highly likely that, through temporary furloughs and/or pay cuts, faculty, staff, and senior administrators at all UC campuses will see their wages reduced by about 8 percent (with potentially a lower rate for our lowest paid workers); it remains uncertain whether pension calculations will be affected by this reduction.

* It is highly likely that, at some point during the 2009-2010 academic year, faculty, staff, and senior administrators at all UC campuses will begin contributing to the UC pension fund.

* It is quite possible that the health-care premiums paid by faculty, staff, and senior administrators at all UC campuses will increase significantly.

Our first and foremost goal is to preserve the academic excellence of Berkeley. To that end, let us be clear as to what we will not entertain during this crisis.

* We are not discussing or considering layoffs of Senate faculty members, tenured or untenured.

* We are not discussing or considering making Senate faculty promotion decisions contingent on available funding.

* We will not sacrifice Berkeley's commitment to breadth and depth of academic excellence.

* We will not allow the budgetary crisis to subvert either the delivery of our teaching mission or the support infrastructure for research.

* We will not sacrifice our commitment to social access: low-income students who have earned a place at Berkeley must be capable of affording a UC Berkeley education.

* We will not flag in our commitment to recruit to Berkeley the best graduate students in all fields.

* We will not abandon our efforts to train and promote a highly skilled and diverse workforce.

These are the guiding principles that will be in the forefront of our activities as we entertain difficult choices.

As we progress through this budgetary crisis, we are also

looking forward to the longer term prospects and we are taking measures to reduce the size and cost of our enterprise by streamlining work. For example, we have begun implementing a multi-year plan to streamline administrative processes in IT, Human Resources, procurement, business services, student advising, research administration, and other areas. Many of these improvements will involve centralized and automated systems that will reduce our dependence on a patchwork of decentralized, labor-intensive operations.

Over time, a combination of layoffs, retirements and normal attrition will result in a smaller workforce that will bring our staff and faculty payroll closer to alignment with State funding, while maintaining high-quality services. Toward these ends, we have already made substantial investments in systems such as the Human Capital Management (HCM) systems, the Berkeley Financial System (BFS), and an upgrade to ePro, our procurement system.

We are also working with the Office of the President on ways to cut costs by adopting system-wide (UC) administrative systems and reducing prices through system-wide procurement of some goods and services. Locally, we are consolidating the administration of contracts and grants and are merging back-office functions of both academic and non-academic units.

We are actively engaged and working closely with the Academic Senate and a faculty subgroup that has been formed specifically to examine budget reduction measures. We anticipate evaluating all options around hiring, retention practices, and strategies to defend the breadth and depth of academic excellence for which UC Berkeley is renowned.

We are implementing an entire suite of revenue-enhancement measures: full recovery of the central administrative costs

associated with our self-sufficient auxiliary enterprises; negotiation of a higher federal overhead rate for campus research; expansion of the reach and earnings potential of University Extension and Summer Sessions; and, of course, intensified private fund-raising. We are also restructuring campus debt to reduce those costs over the near term.

In the external realm, University leaders are advocating aggressively, making sure that legislators, the public, and UC's closest constituents understand the value of our mission, employees, and students.

We pledge to redouble our efforts to strengthen UC Berkeley's long and rich tradition of combining access and excellence. Throughout the State, country, and even the world, Berkeley remains the standard by which all other universities are judged when it comes to the combination of comprehensive academic excellence and deep commitment to a public mission. We will not shy away from our commitment to either of these lofty goals.

Through shared sacrifice by students, staff, faculty, and senior administrators, and through renewed efforts to reduce over time the cost of delivering instruction, research, and administrative services on campus, we will emerge from this crisis more focused and more efficient, but equally excellent and accessible. UC Berkeley has been an outstanding institution for 141 years and it will still be outstanding 141 years from now. We look forward to working with you toward these ends.

What happens next?

We are acutely aware that the economic situation makes this a difficult time, professionally and personally, for many of you. Change of this magnitude will be difficult. We have asked our

Human Resources area to assist in a number of ways, specifically by supporting managers and employees as we work through this difficult time. We understand that clear information on campus actions and resources to help you is essential. We ask that managers and supervisors please take time to go through this message with your employees. We renew our commitment to bring you that information as we learn it, via e-mails and on our Budget Central website: newscenter.berkeley.edu/budget <<http://newscenter.berkeley.edu/budget>>

We hope that you will watch the site for budget news as it develops, and we thank you for your continued commitment and dedication to this unique institution.

Yours sincerely,

Home

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