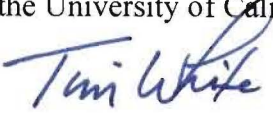


June 5, 2009

TO: Faculty, Staff, and Students of the University of California, Riverside  
FROM: Chancellor Timothy P. White   
RE: Impacts of Further Operating Budget Deterioration - Update

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When I came before you at the May 21 Town Hall meeting, I stated, based on the facts that were known then, that we planned for a permanent cut to UCR's state general fund operating budget next year on the order of \$19 million, and that worst case it could stretch to \$26 million. As you know, fiscal conditions in California have continued to deteriorate, and political decisions are being proposed for action in Sacramento. **This past Wednesday I learned that the reduction to our campus will, in fact, rise dramatically by at least two-fold, and could be as high as \$40 million.**

Let me be very clear. I am **deeply concerned** by these cuts. We are being forced to take what I view as misguided and shortsighted actions that are working opposite to the social, economic, and environmental needs of our time and of our future. This feels like an "anti-stimulus package." Indeed, developing human capital and knowledge is the way to recover and strengthen the economy. While the details from Sacramento and the Office of the President have yet to come into sharp focus, **I seek to provide advance notice of the significant and deleterious impact on all of us at UCR.**

And while I recognize that these cuts will make us smaller over the next few years and slow us down on several but not all initiatives, we simply must redouble our efforts and our resolve to **not let this economic crisis lower the quality of our work, nor dampen the aspirational vision that we are articulating for the future.** We are here at UCR at a very difficult and unprecedented time in our lives, and yet it is we who hold the future of this university in our hands. This is a very important responsibility that I know you join with me in not taking lightly. Working and staying together we will persevere. This is not to say that there aren't horribly difficult decisions in front of us that will affect each of us and our students. But there will be an upside following this significant erosion, and we simply must make the best decisions now for the long-term future in order to be strategically and thoughtfully positioned to create and take advantage of future opportunities.

The Governor, in response to the continuing deterioration of the budget and the outcome of the May 19<sup>th</sup> election, has proffered several proposals to the legislature. While they are yet to be approved, approval seems inevitable over the next several weeks, resulting in far more significant reductions than originally anticipated.

At a recent meeting President Yudof held with all of the Chancellors and Executive Vice Chancellors, we discussed the likely severity of the new levels of reduction. As a result, campus leadership will now begin planning for reductions that are at least twice the amount announced two weeks ago. We have not yet received our actual reduction numbers, but it is essential we begin our planning now. Due to the severity of the reduction to the University of California, we can anticipate that **all within UC, including UCR, should anticipate serious consideration of furloughs, selected pay reductions, layoffs, further fee increases, as well as program reductions, consolidation and elimination. Workloads will increase, including faculty teaching. Hiring will remain severely restricted. Enrollments will be limited.**

**We also must also increase success with generating new revenues from non-state sources, through grants and contracts, private and corporate philanthropy, and other innovative and entrepreneurial actions by our faculty, staff, and administrators.**

Let me review actions that are very likely or have already occurred:

- Furloughs – Once the policy is approved by the Regents, the President will likely implement across the entire UC system a requirement for faculty and staff furloughs, regardless of funding source. The early planning at this moment suggests we can anticipate on the order of 16 days (or roughly 6 percent) of “furlough” next year, of which 13 are expected to be currently paid holidays. In other words, employees would take the 13 days of holiday without pay. (Details have yet to be resolved for essential health, safety, and food service workers who are required to work on holidays.) Make no bones about this... this would be a significant cut in our salaries while maintaining the benefits portion of our total compensation. Lower wage employees will likely be exempted from furloughs, but the salary threshold has not yet been determined. For UCR, a 16-day furlough would generate an approximate savings of \$10 million annually in state general funds.
- Executive Salary Reduction – Already, President Yudof has implemented a 5 percent salary reduction for 35 of UC’s executive leaders, including Provost Rabenstein and myself. It will be left to the campus’ discretion to implement further salary reductions for senior leaders.
- Faculty Hiring Freeze – On May 21<sup>st</sup>, I placed a freeze on all faculty hiring, and asked that any offers that had not yet been “closed” be withdrawn. As painful as it is, the Deans have taken action and as a result, we have lost several stellar prospective faculty hires. A very limited number of exceptions is being considered for compelling circumstances.

- Reduction in Faculty/Increase in Teaching Workload – Over time and through normal attrition, the campus will need to reduce the size of its faculty by about 15 percent. At the same time, effective in FY09-10, faculty teaching workload will need to increase as we reduce our reliance on lecturers and teaching assistants (TAs). It is important to emphasize that we will continue to deliver the curriculum necessary for our students to make timely progress to degree. We will carefully track data to evaluate the impact on teaching, research, advising, course size, and time to degree as we reduce our faculty workforce. Further, we will be in close consultation with the Academic Senate regarding the implications for our faculty.
- Reduction in Staff – We have a hiring restriction in place that allows only mission critical positions, and an approval process that requires final approval by the cognizant dean or vice-chancellor. Furthermore, over time, we now also expect to reduce our staff by at least 15 percent. This will occur through a combination of attrition and layoffs.
- Reduction in Students – UC will reduce student enrollment targets for fall 2010, just as it did for fall 2009.
- Fee Increases – The Regents implemented a 9.3 percent student fee increase for fall 2009. They are reserving the option of implementing an additional mid-year fee increase.
- Consolidation and Elimination of Programs – It is likely that the measures identified above will be insufficient to meet our estimated new reduction target. Therefore, I am asking the Budget Advisory Committee to consider the possibility of consolidating and/or eliminating programs as well. Some of these are likely to be very fine programs that, in normal budget times, we would continue to support.
- Other Actions – As a system, UC will take additional actions such as restructuring debt to reduce our debt service costs; participating in master contracts for purchase of supplies, equipment, and travel; and scrutinizing our carry forward balances.

This dramatic difference since the last Town Hall meeting was brought about by the new budget released by the Governor, who interpreted failure of the May 19 ballot initiatives as a voter mandate to slash programs without increasing taxes. As a result, the cuts to the University of California's state general fund budget have gone from a projected \$321.5 million to net \$619 million loss over FY09-10 and the remainder of FY08-09. When combined with unfunded mandates, such as faculty merits and staff salary increases resulting from collective bargaining, **the overall reduction to the UC system approximates \$800 million over a 14 month period. This is stunning both for its size and its rapidity.**

Further, the Governor proposes phasing out **Cal Grants**, which could have a devastating impact on many students and their families. Many people are pushing back hard against this proposal, so the outcome is far from certain as I write today. If put into effect, only new Cal Grant recipients would lose their funding in FY09-10; this would impact more than 2,100 students at UCR, at a total cost of about \$10

million. With a smaller pool of need-based financial aid, efforts to balance out aid awards would harm other UCR students as well. **Our enrollment could be seriously affected.**

This is a letter that, as Chancellor, is enormously painful to write. **I understand the serious impact on each and every one of us. I realize it is going to slow the attainment of our dreams and vision for this University. I know it is going to negatively affect people's livelihood.** The continued uncertainty and downward spiral of our state finances is taking a serious toll. I recognize that this letter raises as many questions as it answers; unfortunately, many details are yet to be worked out. I commit to you that I and other campus leaders will continue to be fully transparent with the information I have as soon as it becomes available.