1990’s Budget Cut Overview

Impetus

The State of California reduced the amount provided to the University of California four years in a row. UCOP assigned $433 million permanent budget cuts to cover the cumulative shortfall.

The UC Davis share was a cumulative $54 million base reduction in State funding, equivalent to 18.2% of the 1990-91 base budget.

UCOP established Voluntary Early Retirement Incentive Program (VERIP) I, II and III and approximately 350 ladder faculty (including 34 in School of Veterinary Medicine and 45 in School of Medicine), retired in the early 1990’s. This was 21% of the 1,635 ladder faculty FTE (1990-91). Staff also participated in VERIP.

Planning and Implementation of Reductions


Phase II: short-term plans to accommodate targeted budget reductions for 1991-92 – reductions targeted organized research (at UC Davis predominantly CA&ES extension programs), administration and public service.

Phases I and II were dealing with statutorily mandated permanent decreases of $11 million undesignated plus specifically targeted permanent decreases of $4.65 million in Organized Research (including research outside of Organized Research Units (ORUs)) and $2.23 million in Administration, and about $1.0 million in Public Service and Instructional equipment. In 1989-90 and 1990-91, the state provided some money for salaries, benefits and enrollment and maintained space increases but not enough to cover the costs. The UC Davis 1989-90 General Fund base was $311.6 million and the 1991-92 base was $321.2 million. In Phases I and II, UC Davis distributed the specifically targeted reductions to the targeted areas on a permanent basis and distributed formula-based temporary reductions across a broad range of fund sources via the Budgetary Savings Target (which provided funds to UCOP) and Campus Assessment (which provided funds to UC Davis central accounts for redistribution).

Phase III: Long-Term Repositioning and Restructuring – entailed methodical planning, repeated review and wide vetting of significant and permanent budget changes. Although the impetus for Phase III was the State’s decision to reduce funding, the campus used the opportunity for self-assessment and repositioning and actually re-allocated some funds to support the highest growth priorities.

- Amount actually reallocated in Phase III: $46 million
  - Sources:
    - Deans/VCs: $30 million
    - Centrally held resources: $16 million
  - Uses:
    - Reductions from UCOP/State: $32 million
    - Create new initiatives reserve at UC Davis: $6 million
    - Campus assessment for reallocation $8 million to cover cost increases in information systems, library materials, utilities, etc.:
The Intended Outcomes of the Phase III Process

The final decision document was titled “Priorities and Strategies for Preservation and Further Achievement of Academic Excellence.” As stated in the October 26, 1992 directive to Deans, Directors, Department Chairs and Campus Administrative Officers, Phase III was:

...conceived as a means of making permanent budget adjustments in a thoughtful manner, replacing across-the-board reductions with a long-term vision-based approach to permanent allocations.... The desired outcomes of this process are recommendations of institutional changes that will achieve economies — more efficient and effective use of available resources—and improve the quality of our programs at Davis. These could range all the way from new policies on self-supporting units through a change in the academic calendar. Additionally, all programs will receive careful scrutiny, as appropriate, with an eye toward down-sizing, structural change, consolidation, or, as a last resort, elimination. It is, though, fully understood that recommendations for dissolving or consolidating programs or departments must undergo required Senate reviews, both locally and University wide.

The Phase III Process

When the campus embarked on the Phase III process, the UC Davis Academic Plan (started in 1989) had recently been completed. As well as providing a basic understanding of the campus and a vision, it included specific institutional and programmatic strategies.

The Chancellor announced the three-phase plan in January 1991. In May 1992, Dean/VC/VP offices submitted plans for reducing their 1990-91 permanent base budgets (including general funds, student fee funds, opportunity funds, patent funds and Educational Fund) by 15 percent over a five year period (1991-92 through 1995-96); they simultaneously submitted growth proposals of 5 to 10 percent for the same period. Colleges and Schools were provided differential estimates for reductions based on reducing faculty to bring each of the colleges and schools in line with the student:faculty ratio funded by the state. Estimates also included an estimated reduction in the operating budget in proportion to the faculty reduction.

The principles behind Phase III were clearly stated (see Attachment A). During summer and fall 1992, four subcommittees (instruction and research, student services, administrative services, and self-supporting operations) reviewed the submissions and prepared subcommittee reports, which were submitted to the Steering Committee (SC) in December, 1992. In March 1993, the SC completed a draft report for review of administration and deans. In April and May the Steering Committee Report (SCR) was widely circulated on campus and in the community and a number of forums were held. Over 1,000 letters were received in comment and the SC then wrote a final report, which was widely distributed.

In June 1993, Provost and EVC Vanderhoef announced the Phase III decisions. The budget cuts were mandated as of July 1, 1993. The decision letter noted that non-academic units must complete their detailed strategic plans by September 1, 1993 and academic units must complete theirs by the end of the 1993-94 academic year. Colleges were given three years to meet their permanent targets; some received loans from central campus to ease the transition.
**Program Changes Recommended by Phase III Steering Committee**

The Steering Committee forwarded to the Provost 151 individual recommendations and decisions, under 42 main headings.

**Academic:**

General campus must decrease by 118.7 FTE faculty positions and $8.1 million. Health sciences must decrease by 33.8 FTE and $3.3 million. Each unit should determine course load for the unit and obligate itself to offer a target number of total credit hours. Rigorous management of all vacant faculty FTE will put every vacant position in every unit at risk of not returning to unit of origin. Curriculum should become more efficient so students can graduate faster.

Professional schools should be involved in the undergraduate curriculum and faculty should teach undergrads.

Division of Education should be reassessed.

Division of Biological Sciences is important.

Libraries should collaborate UC-wide to maintain collections.

**Administration:**

Establish external administrative review process for administrative units.

Administrative budgets, including those in Dean/VC/VP offices, should be cut 17 - 20%. Eliminate VC-Facilities.

Student Affairs (SA) should cut administrative costs 30-35%. Physical Education should be examined and reorganized. Academic funding to ICA programs should be phased down. SA should discontinue state funded and student fee funded ICA, if SA cannot otherwise maintain quality in essential programs. Suspend efforts to move to Division I. (Provost’s decision: Suspend efforts to move ICA to Division I. ICA program will be retained. Core funding will come from student fees.)

Stop using core funds for development expenses in UR and in Dean’s offices.

**Self-supporting or similar:**

UNEX, summer school, auxiliaries and service units should become much more self-sufficient. Self-supporting activities should exist only when necessary and should indeed be self-supporting. Campus clients should be able to purchase from non-campus businesses (for example, copying services). Move some core-funded services to self-supporting.

**Miscellaneous:**

Consider shifting from quarter system to semester system. (1995 update: no consensus on this so dropped from consideration for time being.)
**Actual Outcomes**

**Personnel**

VERIP retirements of both faculty and staff were significant and uneven and resulted in imbalance across campus (see Attachment B).

**Faculty retirements:** The State of California budget was based on the premise that the student to faculty ratio would increase substantially and therefore at UC Davis the state would fund 125 fewer faculty FTE effective July 1, 1992, resulting in a decrease from 953 FTE to 827 FTE. According to a Feb 1994 UCOP report: “Because the University has lost faculty but has continued to offer a place to all eligible students at the undergraduate level, the student to faculty ratio has deteriorated from 17.6 to 1 to 18.7 to 1. This will deteriorate further after July 1, 1994 due to VERIP III retirements.”

UC Davis returned 74.49 ladder-rank faculty FTE to UCOP in 1996.

**Staff retirements:** ORMP could not verify as of February 15, 2008:

VERIP I and II: 581 staff FTE; VERIP III: xxx staff FTE

**Staff layoffs:** ORMP could not verify as of February 15, 2008:

1991-92: 98 people; 1992-93: 83 plus 53 projected by end of year; subsequent years: xxx. Almost all employees who were subject to layoff were re-employed in other positions at UC Davis.

**Reduced time:** The Temporary Reduction in Pay (TRIP) program, effective 1992 to 1994, offered employees the opportunity to voluntarily reduce their percentage of appointment and salary for 12 or 18 months. The Temporary Reduction in Time (TRIT) program applied to CX and SX employees only. ORMP could not verify data about actual use of the programs as of February 15, 2008.

**Base Budget Allocations**

The final decision included permanent budget reductions for each of the Dean/VC/VP offices. The distribution was not formula driven but was instead based on campus priorities identified in the Phase III deliberations. A campus report indicates that by June 1997 all of the planned reductions had been implemented, with the exception of the Graduate School of Management (GSM) and the “Division of Education.” The GSM reduction decision had assumed faster movement toward self-sufficiency. The L&S Division of Education became the School of Education and state funds were increased instead of decreased.

The differential permanent cuts include, as examples, 7.8% of the 1990-91 base for the Division of Biological Sciences, 13.1% for the College of Engineering, nearly 16% for the School of Medicine, and more than a 25% cut for administrative units and services.

**Annual headcount enrollment reduction:**

- undergraduates declined from 18,000 in 1990-91 to 16,500 in 1993-94 and then started to increase;
- graduate students declined from 3,390 in 1990-91 to 3,065 in 1994-95 and then started to increase;
- total campus enrollment decreased from 23,316 in 1990-91 to 21,540 in 1994-95 and then started to increase.
Post Phase III

Administrative changes since Phase III

In 1990-91 there were nine Deans, no VPs, five VCs and the Librarian was in Office of Provost. By 2006-07, the organization had changed so that many roles were moved up a level in the hierarchy resulting in thirteen Deans (new Dean positions: Education; three Deans of MPS, DSS and HArCS replaced one L&S Dean; University Extension), four VPs (new VP positions: Academic Personnel, Information and Educational Technology, Undergraduate Studies, University Outreach & International Programs) and five VCs (zero additional VCs because VC-Facilities was merged into VC-OOA as a result of Phase III, resulting in four VCs and later the VC-ORMP was established), and the Librarian was separate from Office of Provost.

Path: T/Budget/1990’s Phase I, II, III/ORMP Phase III Overview.docx
SUMMARY OF PRINCIPLES
THAT GUIDED PHASE III SUBCOMMITTEES

Instruction and Research

The Academic Planning Statement is the basis for the overall mission, goals and strategies articulated in this report. Principles that particularly guided the academic recommendations are:

- The accountability of UC Davis to the people and to the State of California. It is our collective responsibility to provide high-quality undergraduate teaching, graduate and professional training, and public service within a research university.

- The responsibility entrusted to the University by the State of California to educate its brightest students and to prepare the next generation of leaders for the State.

- The primacy of research in defining forward intellectual direction and in promoting excellence in teaching through inquiry and creation of knowledge.

- The responsibility of the campus’s faculty to deliver high quality undergraduate education and to integrate undergraduates into the culture of discovery.

- The concept of collective responsibility, which holds every unit (department or equivalent program) responsible for the full range of missions, in both departmental and extra-departmental contexts, and makes each unit responsible for establishing an effective internal division of labor.

- The recognition that a principal strength of UC Davis resides in the continuum--from basic to mission-oriented research--represented in its research program.

- The recognition that we must focus on certain intellectual aims and arenas for which we are well equipped to make outstanding contributions by virtue of the "Davis advantage" defined in the Academic Planning Statement.

- The relative priority, given the Davis advantage, for biological and agricultural sciences and a broad range of studies related to the environment.

- The relative priority of foundational disciplines that provide essential core strength to our varied programs and form the basis for discovery and change. These include basic biology, mathematics, physics, and chemistry and, in the humanities and social sciences, certain intellectual skills and analytical paradigms. Intellectual resources for philosophical analysis, literary and historical study, and understanding the basic paradigms of social science must be nurtured and shared among relevant units.

Source: April 1993 Phase III Steering Committee Report
Student Services

Paramount in consideration of specific student services was their relationship to the academic mission of the campus and their contribution to student academic success and retention. Activities central to or closely related to the academic mission (e.g., Student Judicial Affairs, Internship and Career Center) should be protected and even augmented in special cases. Activities more distant from the academic mission should be reduced or eliminated. Other considerations that guided the examination of student services included:

- Student opinion on the value of the service.
- Contribution to student personal growth and health.
- Number of students and nature of the population served.
- Program effectiveness and the means to measure effectiveness.
- Contribution to cross- or multicultural experience.

Administration

Campus program priorities must be clearly articulated and resources should be allocated to priority areas based on a strategic plan. Moreover, because Phase III has at its heart a desire to protect and strengthen the academic programs of the campus, administrative services are marked for disproportionate cuts. Principles that particularly guided the administrative recommendations include:

- Administrative restructuring should be guided by a comprehensive plan based on a coherent vision of where the campus should concentrate its limited resources. The products of Phase III should become an integral part of a rational plan for a downsized UC Davis, i.e., one that provides the balance between personnel and the support services needed to achieve and maintain academic excellence in the highest priority programs.
- The campus leadership, including the Academic Senate, Academic Federation, and Staff Assembly, should together develop a consensus-based mission statement and administrative strategic plan for the campus that will guide the administrative restructuring.
- Across-the-board budget reductions by vice chancellors and deans should not replace strategic initiatives to match resources with program priorities. Entire programs, including the associated personnel, must be considered for reduction, redirection, and possible elimination.
- No single human resource group should be exempt from actions to retrench and downsize. If our strategy is to preserve faculty positions at all costs, the campus
will become a skeleton with neither the infrastructure nor staff to support excellent teaching, research, and public service.

- Administrative units should be subject to external program review (similar to the five-year review for academic programs) aimed at evaluating the effectiveness with which these units support the academic mission.

- Decision-making should be decentralized so that local managers have the authority and responsibility to make effective decisions. Delegation to the unit level most likely to do the best job must be practiced and not just discussed. Trust is an essential ingredient for success. The management culture must promote an acceptable level of risk-taking in decision-making.

- Administrative and service units must recognize the paramount importance of service to their clientele. A broader definition of "service" must be articulated to the campus, especially to those units that are also charged with control and regulatory functions--they should consider all members of the campus community as customers and service to be their principal mission.

- Senior management must increasingly communicate that the people of the campus are its most valuable resource. Each constituent group is important to the long-term success and vitality of this campus, and must be viewed as a valuable source of expertise and creativity in administring the campus.

Service Units and Auxiliary Enterprises

The overriding issue of the service unit reviews focused on the fact that service units have only one reason for existence: to support those units that are actively involved in the primary missions of the University. There is no other reason for having those activities on campus. If the campus can find other, more efficient, economical, and easily accessible means of obtaining these services, then these campus units would have no further justification for existence.

Because of the significant resources they represent, campus service units must share in Phase III funding reductions. Where campus subsidies exist, these must be reduced or eliminated. Secondly, the campus's recharge load must be reduced. Service units must reduce their rate schedules by effecting greater efficiencies; and users must reduce their demands for services. Budget cuts to these units must be accompanied by programmatic reductions and not be replaced by revenues generated by increased rates. Finally, there must be more opportunities for users to influence the operation of these services.

The purpose of the review was to ensure that services are provided to the campus within the following context:

- Economical operation. It is essential that service units be operated in the most economical manner possible in order to conserve campus consumer resources and, where appropriate, to be competitive with other vendors to off-campus customers.
- Quality service. The quality of service must meet users' demands.

- Simplified access to service. Service activities must accommodate needs of the primary academic programs. Needs of program units must always be paramount, and this must be fully understood by providers of service.
## IMPACT OF VERIP ON ACADEMIC PROGRAMS
Faculty VERIP compared to 1990-91 base

<table>
<thead>
<tr>
<th>Discipline/Department</th>
<th>1990-91 FTE</th>
<th>VERIP I &amp; II FTE</th>
<th>Percent of 90-91 FTE</th>
<th>VERIP III FTE</th>
<th>Total VERIP Percent of 90-91 FTE</th>
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<tr>
<td>LETTERS &amp; SCIENCE</td>
<td>531.5</td>
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