From: Chancellor
To: UCSFSTAFF@LISTSRV.UCSF.EDU;
Subject: Budget Woes
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December 23, 2008

Dear Colleagues:

We have all watched with dismay as a financial crisis of historic proportions has taken hold of the global economy. The impact on California has been severe and shows no sign of lessening. I write to summarize our current understanding of how this crisis might affect UCSF and how the campus is preparing to cope with the crisis. Although the news is not good, my colleagues in the campus leadership and I believe that UCSF is sufficiently robust to weather the crisis without losing the ability to perform our core missions at the high level of quality we have always expected of ourselves.

In order to achieve a favorable outcome, however, we shall have to plan comprehensively and with great rigor. Accordingly, the chancellor's office, schools and medical center are now working as a single body to prepare an integrated budget plan that will span the next three fiscal years. I will provide a few preliminary details about that effort below.

THE STATE BUDGET. The State of California is in the throes of a dire budget crisis. The current deficit is in excess of $15 billion, and analysts project that the number will reach $40 billion within 18 months unless the Legislature and Governor take remedial actions. In the absence of such actions, the State may be issuing IOUs in lieu of cash payments to its employees and vendors by March 2009.

THE UNIVERSITY OF CALIFORNIA BUDGET. The dire straits affecting the California budget inevitably have had repercussions for the University of California (UC). To date in the current fiscal year, UC has taken a cut of $48 million in state funds, is anticipating a further cut soon after the turn of the year that would take the total cuts for the fiscal year to at least $115 million, and will incur unfunded enrollment growth and increased fixed costs that add another $100 million or more to the financial burden. Looking further ahead, President Mark Yudof has advised that UC can anticipate cuts of as much as 10% in each of the three coming years, and

has directed campuses to plan accordingly. The financial pressures are further exacerbated by the impending resumption of contributions to UC retirement plan and substantial increases in health benefit costs, both of which will affect employees and employer alike.

MEASURES TAKEN. To date, UC has taken a number of systemwide measures in an effort to ameliorate the cuts to its budget, including a substantial reduction in the operating budget for the Office of the President and deferral of all salary actions except for faculty merit increases. Here at home, UCSF has absorbed a 4% cut in its state funds by various patchwork measures across the campus, and is planning for an additional cut of at least 3% before the end of the fiscal year. But for the longer haul, UCSF must prepare itself to take more comprehensive and strategic measures as further cuts in its state funds materialize. Although state funds comprise only 9% of our total operating budget, these monies serve crucial needs, such as maintenance and operation of facilities, utilities, and salaries for many of our staff and faculty. It is too early to specify what sacrifices might be necessary to cope with future reductions in state funds, but I am committed to an outcome that will preserve our excellence and that will be as humane as possible.

CAPITAL PROJECTS. Last Wednesday, state officials halted funding for more than 2,000 public works projects in California. Although numerous capital projects throughout the UC system will be affected by this action, the two major construction projects presently underway at UCSF (the cardiovascular research building at Mission Bay and the stem cell research building at Parnassus Heights) are not presently in jeopardy, nor is construction of the new childcare center at Parnassus Heights.

COMPREHENSIVE BUDGET PLANNING. UCSF is now preparing a comprehensive budget plan to span the next three fiscal years (i.e., 2010-2012). The planning is under the supervision of our standing Executive Budget Committee, convened by me as chancellor, and composed of the deans, the vice chancellors, the chief executive officer of the UCSF Medical Center, and representatives of the Academic Senate. The Executive Budget Committee and subgroups that it has formed will work intensively until a comprehensive plan is in place, which may take as long as three or more months. The committee will consult with departmental chairs, senior staff and other sources of expertise as necessary. We are planning against worst-case scenarios, based on both our own

assessment of the circumstances and advice from the Office of the President.

COMMUNICATIONS. We recognize that it is important to keep the campus community well informed as UCSF addresses the financial challenges at hand. To this end, the leadership will communicate with the community regularly by email. In addition, the campus has established a website where all pertinent communications and other documentation are being posted for your reference at www.budget.ucsf.edu. Senior Vice Chancellor Steve Barclay initiated the email communications with two recent messages to the campus about specifics of the budget crisis. Those messages can be found on the budget website, along with my charge to the Executive Budget Committee.

The Executive Budget Committee also is open to communications from members of the campus community. If you have suggestions as to how UCSF should address the budget challenge, they can be submitted to the budget website.

CONCLUSION. A recent report in the Chronicle of Higher Education listed the operating budget for UCSF as among the top ten of all public universities in the United States. This does not mean that we are flush. But it does suggest a capacity to be resilient. My colleagues and I in the campus leadership are convinced that by careful and innovative planning, UCSF can emerge from the current financial crisis an even more robust and efficient enterprise than in the past, and that this can be accomplished without damage to the excellence and collaborative spirit that we all value. On that note of hope, I wish you all a restful and joyous holiday season.

Sincerely,

J. Michael Bishop, M.D.
Chancellor