

# Memo

## Budget Committee of the Academic Senate

**To:** Board of Governors' Budget and Finance Committee

**From:** Michael J. McIntyre, Chair, Academic Senate Budget Committee and Faculty Representative on B&F Committee

**Subject:** Budget Cuts on Academic Side of the University

**Date:** August 28, 2007

I have suggested to this committee from time to time that the Schools and Colleges have suffered disproportionately from the budget cuts, including the cuts proposed for FY 2008 and that such cuts are likely to have degraded the ability of the Schools and Colleges to fulfill their instructional mission. I do want to be clear that I am not saying that the University is doing a poor job of teaching students. Our faculty members are working very hard to overcome the shortages of resources. But I do think that declining support for the instructional function has consequences and that the debate over how resources should be allocated within the University is important for the good health of our instructional programs. The committee asked me to provide a brief memo that pulled together information about the impact of budget cuts, actual and proposed, on the Schools and Colleges. This memo is presented in response to that request.

I think there are three factors that have adversely affected the Schools and Colleges. First, they have been receiving a declining share of the total budget of the University for many years. By my calculations, using data contained in the General Fund Budget Books, that share has declined from around 43% of the budget in 1998 to under 35% now. This decline, moreover, is understated to some extent because of accounting changes made by the Administration. At a recent meeting of this committee, the Administration suggested that this decline was due to the general increase in financial aid in recent years. To test that assertion, I did the calculation for 2003 and 2007, assuming that financial aid were eliminated from the budget (in effect, treating it as a cost of earning tuition). I've attached a chart showing that the elimination of financial aid does not explain the drop. Of course, the percentage of the budget going to Schools and Colleges goes up for both 2003 and 2007, but the significant decline from 2003 to 2007 remains.

Second, in real terms, the money available to the Schools and Colleges has been going down. Obviously, for the current year, the Schools and Colleges would take a cut of around 2% under the Administration's proposed budget. In prior years, however, there have been some increases in instructional spending, measured in nominal dollars. The Administration has produced charts showing some increase. When the amounts are properly adjusted for inflation,

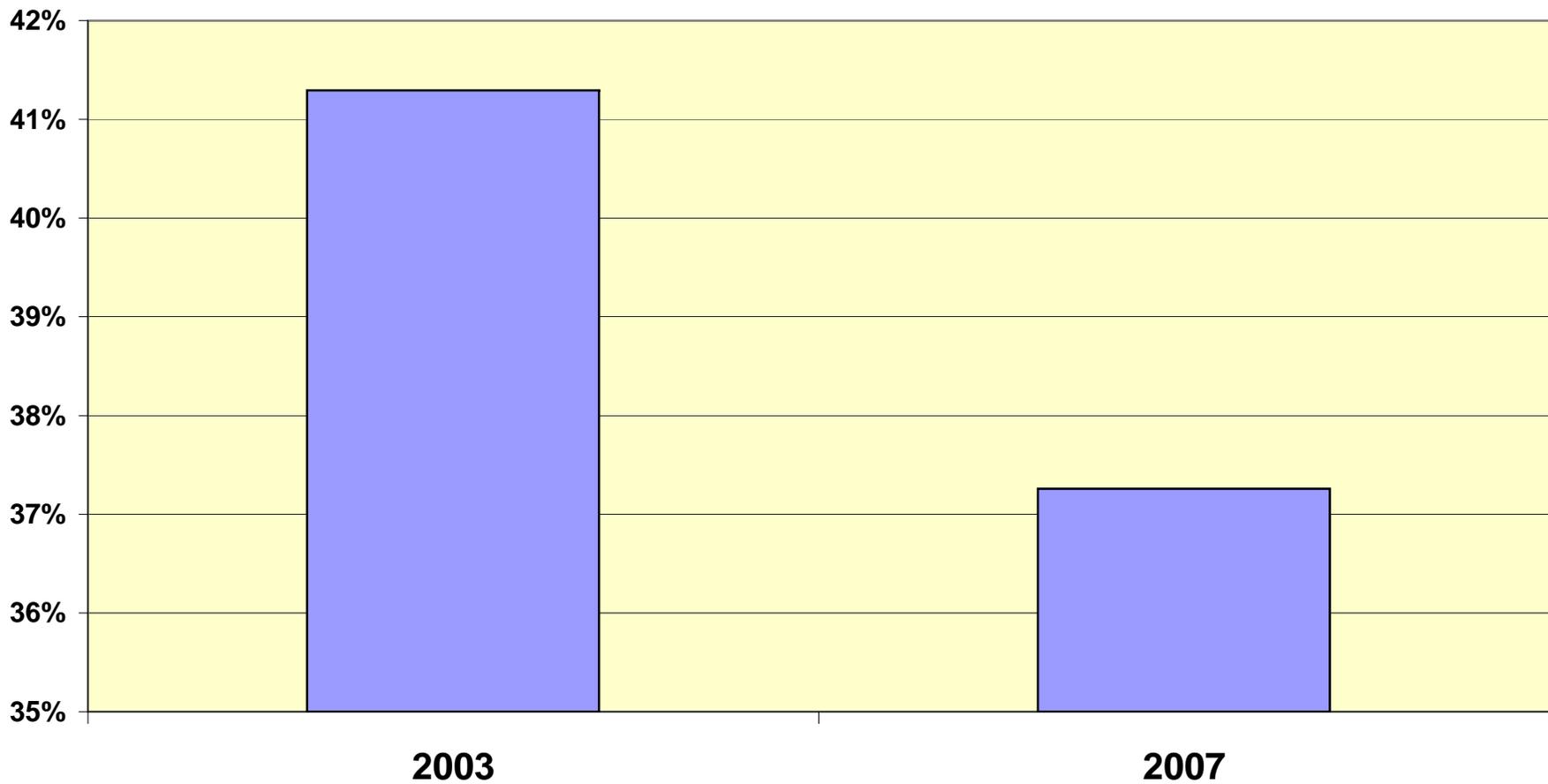
however, we get a very different picture. I recognize that the University has taken a lot of budget cuts and that a fair presentation of the effect of those cuts on all parts of the University ought to take account of inflation. My point is that the Schools and Colleges have taken disproportionate cuts and that the real increases to the Schools and Colleges claimed by the Administration are partly illusory.

In addition to the above, there have been some hidden reductions in the budgets to the Schools and Colleges that do not show up in the Budget Books. Here is an incomplete listing.

- ▶ The student/faculty ratio has risen in recent years by around 20%. This rise is due to the fact that only a small fraction of the money obtained from increased enrollment has gone back to the Schools and Colleges. Class sizes have also increased, for the same reason. Most of this burden has been borne by the College of Liberal Arts and Sciences, which means, as a practical matter, that the burden has been on our undergraduate students.
- ▶ The payout rate on endowments earmarked for the Schools and Colleges has been reduced from 5% to 4.25%, with 0.5% going to fund the capital campaign and the development office and the other .25% being held in reserve, on the fiction that the stock market has been performing below expectations.
- ▶ Some costs that used to be paid for out of central accounts have been shifted to the Schools and Colleges. For instance, the Administration has required some units to cover the cost of fringe benefits for newly hired faculty, even though the Administration has been responsible historically for fringe benefits (and keeps the money when a faculty member retires and has not yet been replaced). As another example, the cost for dean searches has been shifted from the central administration to the Schools and Colleges in at least some cases. We suspect, but cannot yet document, that more of such cost shifting has been going on.

Third, the budget proposal now before this committee, which ostensibly imposes across-the-board (ATB) cuts on all units, has been engineered so that the largest percentage cuts are on the academic side of the budget (Schools and Colleges and Academic Support). One method that the Administration used to shift the burden away from the Administrative side (Divisions and Central Accounts) was to exclude from the reduction base a significant portion of the fixed costs of the Divisions and Central Accounts, while including all of the fixed costs of the Academic side in the reduction base. Another method was to treat amounts included in Central Accounts as if they were in the budgets of the Schools and Colleges and Academic Support and then impose cuts on them with respect to those amounts. I have attached a chart showing the cumulative effect of these two measures. All of my numbers come either from the 2007 Budget Book or the budget cut chart distributed to this committee by the Administration (as corrected for the many errors I uncovered in the original chart). As the chart shows, the Administrative side, according to the 2007 Budget Book, has around 38% of the total budget, yet it is slated to take less than 16% of the total budget cuts (reducing its ATB cuts by over \$2 million).

**DECLINE IN PERCENT OF BUDGET FOR SCHOOLS AND COLLEGES,  
EXCLUDING FINANCIAL AID, 2003 TO 2007**



Academic Senate Budget Committee, 2007

# DISTRIBUTION OF BUDGET CUTS

(NOT PRO RATA, AS CLAIMED)

