

---

**From:** Senior Vice Chancellor John Plotts <SVC@UCSF.EDU>  
**Sent:** Thursday, July 14, 2011 11:57 AM  
**To:** UCSFSTAFF@LISTSRV.UCSF.EDU  
**Subject:** Update on 2011-12 UCSF Budget

Dear Colleagues:

UCSF, and the entire UC system, is encountering some of the most challenging financial times we have ever known. This week, the Regents are considering another increase in tuition to fill the gap created by the state's continued inability to deliver on its historic role of providing core funding for educational and administrative support.

For the 2011-2012 fiscal year, Governor Brown and the state legislature cut state funding for the entire UC system by \$650 million. These cuts were made in two stages: \$500 million earlier this year and an additional \$150 million last month.

UCSF factored our share of the first \$500 million reduction – approximately \$28 million – into our 2011-2012 budget planning, plus an additional \$18 million that will affect certain of our local programs over the next several years. While the reduction in funding from the state was significant, UCSF this year also faced a \$120 million increase in fixed-cost increases across the entire enterprise. These increases included the cost of employees' health care benefits and the campus' share of contributions to the employee retirement plan, as well as faculty merit increases.

We are responding to the financial challenges created by a reduction in state revenue and increases in fixed costs by consolidating core administrative functions and reducing the number of staff positions, as well as by making other strategic decisions to further reduce costs while maintaining our core academic programs.

Last month, in the final days of budget negotiations, the state decided to further reduce its funding to UC, this time by \$150 million. To make up for that additional cut, the Regents today are considering a 9.6 percent tuition increase across the system.

If approved, this latest tuition increase will take effect in the fall, and will be in addition to an 8 percent increase approved last year. At UCSF, this combined increase will mean that students will pay \$12,192 in tuition, up \$1,980 from last academic year. Tuition, of course, is only one component of our students' annual fees. Our students also pay professional fees and student services fees.

### **UCSF Launching Education Fundraising Effort**

Chancellor Susan Desmond-Hellmann has cited increases in student fees as the principal factor in UCSF's decision to launch its first comprehensive fundraising effort in support of education. The chancellor and her husband, Nicholas Hellmann, MD, have helped kick off this philanthropic effort with a \$1 million challenge gift, providing \$250,000 matches for each of the campus's four professional schools. As the schools secure matching donors, this will create four separate \$500,000 chancellor's endowed scholarship funds—the first of their kind at UCSF. Their generous contribution has already inspired two matching gifts of \$250,000 apiece from alumni of the Schools of Medicine and Pharmacy. Details of the educational fundraising initiative will be forthcoming in the fall. In addition, the chancellor's office and the office of the executive vice chancellor and provost are committed to provide additional support this next year for graduate student education.

### **The State's Financial Circumstances as the Year Progresses**

In the months ahead, we will continue to monitor the state budget. Should state revenue for this fiscal year fall short of the projections, we know state legislators may be forced to consider additional cuts. As such, UC is aware that another \$100 million reduction in state funding could still happen later this year. UCOP has not

determined how the system would absorb an additional decrease; although the range of options being considered include another tuition increase.

While the tuition increase being discussed by the Regents today may help address the most recent reduction in state funds, the greater and more fundamental problem is the expected continued decline in state support for the UC system, reflecting the reality of the state's current economic situation. The other major concern is continued increases in our fixed costs.

UCSF leadership has responded to these challenges with a clear mandate: We will not compromise on our commitment to excellence in discovery, patient care and education.

### **Chancellor Seeks More Effective Business Model**

To make good on that commitment, Chancellor Desmond-Hellmann has charged senior leadership to undertake an in-depth assessment of the campus' current business model and to recommend options for a more effective model, with a focus on positioning UCSF for continued success in spite of the state's financial realities.

This assessment, which will be completed in the fall, will include:

- A review and update of our current and projected financial challenges;
- Recommendations for growing existing revenue sources and identifying potential new revenue streams, and
- Recommendations for how UCSF, given our unique place within the UC system, might work differently with UCOP and the Regents in ways that are mutually beneficial to all of us.

This work will build upon the stellar contributions that have been made over the last year by the many faculty and staff who have worked side-by-side, focusing their knowledge and skills on finding ways to solve the challenges we face. These dedicated and passionate individuals, representing every aspect of the campus organization, have done much to bring new thinking and ideas to the table. Our [Operational Excellence](#) project is an important piece of this work and will continue to be central to our efforts.

The Chancellor and her leadership team remain optimistic about the future. While it is easy to focus on the grim financial headlines, it's important to recognize the many opportunities that are all around us and are derived from the core strengths that have sustained and nourished this institution for nearly 150 years. Consider also that the health sciences sector of the U.S. economy is one of the strongest and most rapidly growing industries in the country. There is strength in the fact that we train students in some of the most critical and demanding professions in the world and that UCSF graduates are in high demand.

We also hold another key strength: UCSF is a world leader in innovation and entrepreneurship and we are increasingly attracting interest from private industry and other potential partners.

UCSF in five years may look different from today, but by being thoughtful about our future direction and putting a plan in place, we will be even stronger and even better known for our excellence.

Sincerely,

John E. Plotts  
Senior Vice Chancellor—Finance and Administration