

University of California
November 2011 Regents' Meeting

2012-13 UC Expenditure Plan

Vice President Patrick J. Lenz

November 28, 2011

Today's Discussion

- 2011-12 State Budget Update
 - Budget trigger, impact on 2011-12 UC Budget
 - Governor's proposal for pension plan reform
 - Overview of 2011-12 UC capital outlay
- Proposed 2012-13 Operating Budget Expenditure Plan -- UC's request to the State
 - NO ACTION ON TUITION
 - No assumptions on State support until release of Governor's January Budget
 - Expenditure plan represents Regents' 2012-13 UC Budget funding priorities
 - Update on administrative efficiencies, cost savings, and increasing alternative revenues

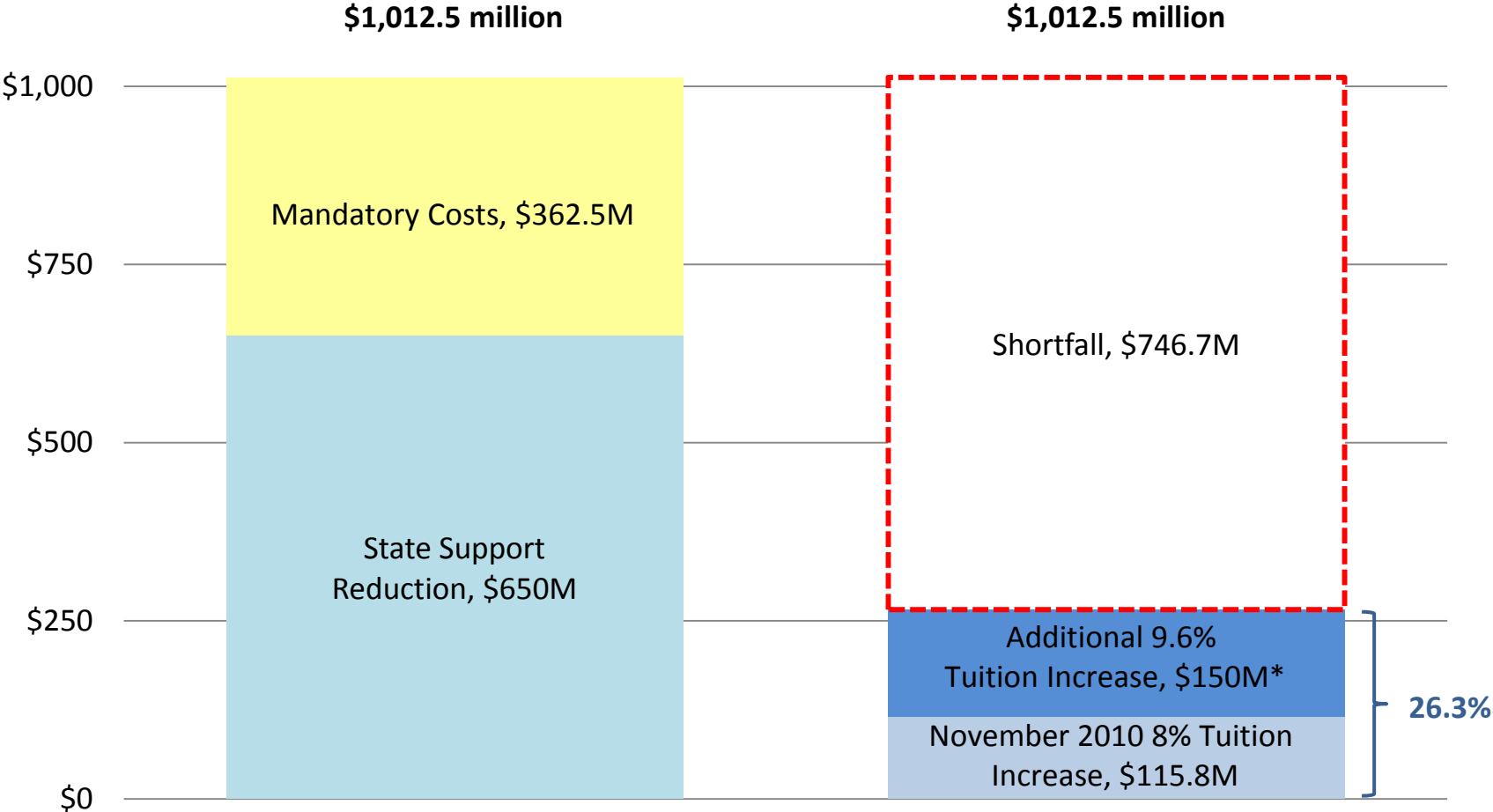
LAO State Fiscal Outlook

- LAO released their State Fiscal Outlook on November 17, 2011
- State faces a \$3 billion budget deficit in 2011-12 fiscal year
- LAO revenue assumptions would result in \$2 billion in “Trigger Reductions”
- LAO projecting \$9.8 billion state operating short-fall in 2012-13 fiscal year

Budget Update

- UC 2011-12 support budget reduced by \$650 million, base budget now \$2.37 billion
- LAO 2011-12 revenue assumptions resulted in DOF indicating they will pull the “Budget Trigger”
- DOF action will result in \$100 million reduction to UC support budget
- UC will manage \$100 million cut on a “one-time basis”
- Request DOF to treat \$100 million reduction as a “one-time” cut to the UC budget

UC's 2011-12 Budget Shortfall



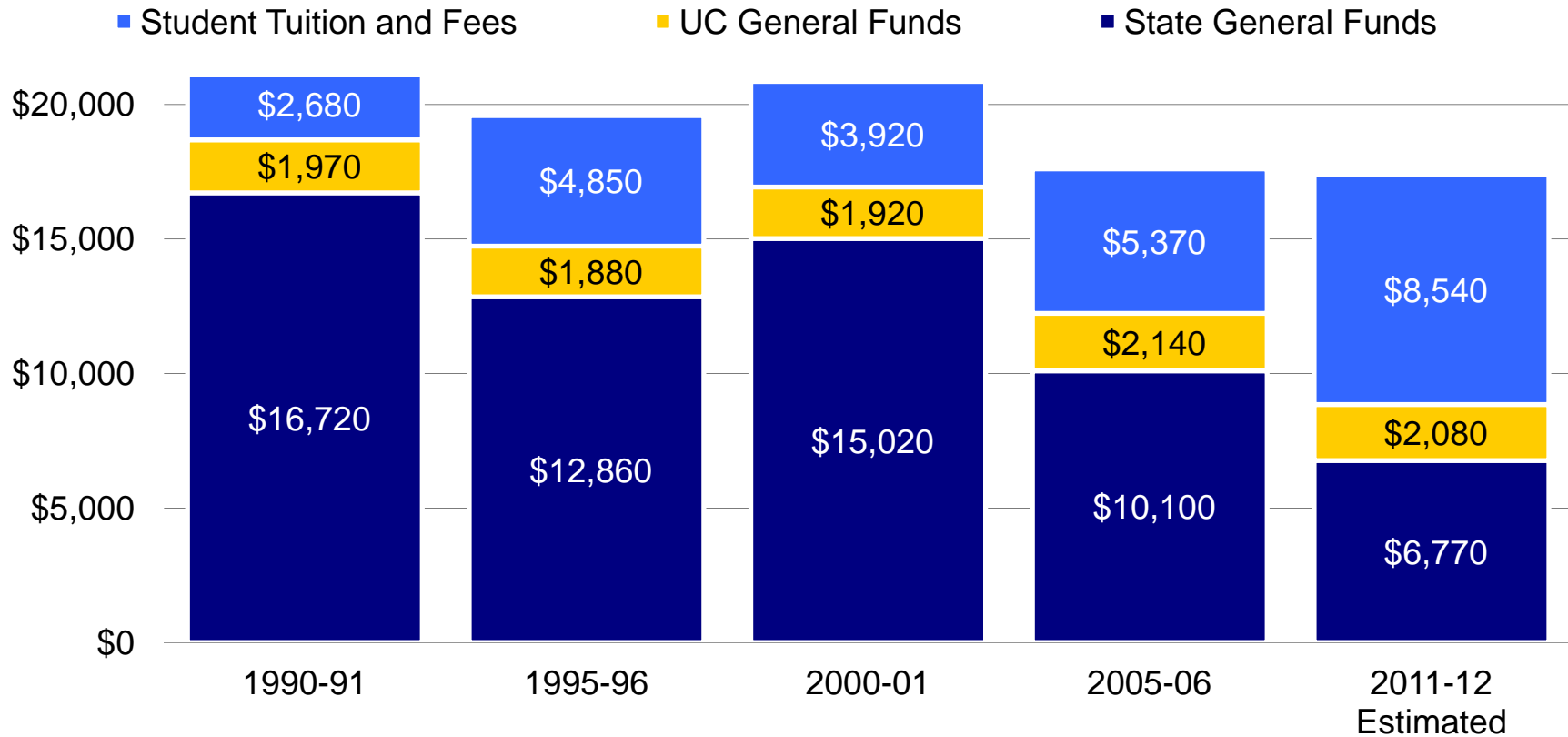
Dollars in millions.

* Annualized revenue impact.

Working Smarter

- Continue to pursue goal of achieving \$500 million in positive fiscal impacts through operational excellence
- Projects include:
 - Enterprise Risk Management (ERM)
 - Liquidity Management
 - UC Campus Connexions
 - UC Travel Insurance Program (UC TRIPS)
 - UC Equipment Maintenance Insurance Program (UCEMIP)
 - Statewide Energy Partnership Program
 - Purchase Card Program

Per-Student Average Expenditures for Education



Average inflation-adjusted resources per general campus student.

Proposed 2012-13 Expenditure Plan

- Key elements of the Plan
 - Enrollment growth and instructional programs
 - Compensation and employee health benefits
 - Contributions to UCRP
 - Employee health benefits
 - Deferred maintenance
 - Non-salary cost increases
 - Preserving quality

Enrollment Growth and Instructional Programs

- **Plan calls for modest enrollment growth of 1% in 2012-13, an increase of 2,100 students (FTE), \$36.6 million.**
- Enrollment funding includes support for expanded health sciences enrollments:
 - \$825,000 for PRIME (Programs In Medical Education)
 - \$4.8 m for additional nursing students
 - \$15 million for UC Riverside School of Medicine

Compensation and Employee Health Benefits

Plan calls for:

- **\$97.6 million for a 3% salary increase for UC's core academic and staff employees**
- **\$22.8 million in employer costs related to employee health benefits (assumes a 7% increase in these costs)**

Contributions to UCRP and Retiree Health Program

- University of California Retirement Plan provides pension benefits for nearly 56,000 retirees and survivors and has nearly 16,000 active employee members
- Retiree health benefits are expected to cost more than \$270 million in 2011-12

Deferred Maintenance

- Nearly 60% of UC's state-eligible space is more than 30 years old
- The State has provided no funding for deferred maintenance since 2002-03
- **The plan calls for \$25 million annually in the operating budget for deferred maintenance funding**

Non-salary Cost Increases

- The State has not funded non-salary price increases for several years
- Moreover, costs of certain areas of UC's budget, such as purchased utilities, have risen much faster than inflation
- **The plan calls for \$21.8 million to cover the cost increases in non-salary items, including:**
 - Institutional equipment
 - Library materials
 - Purchased utilities

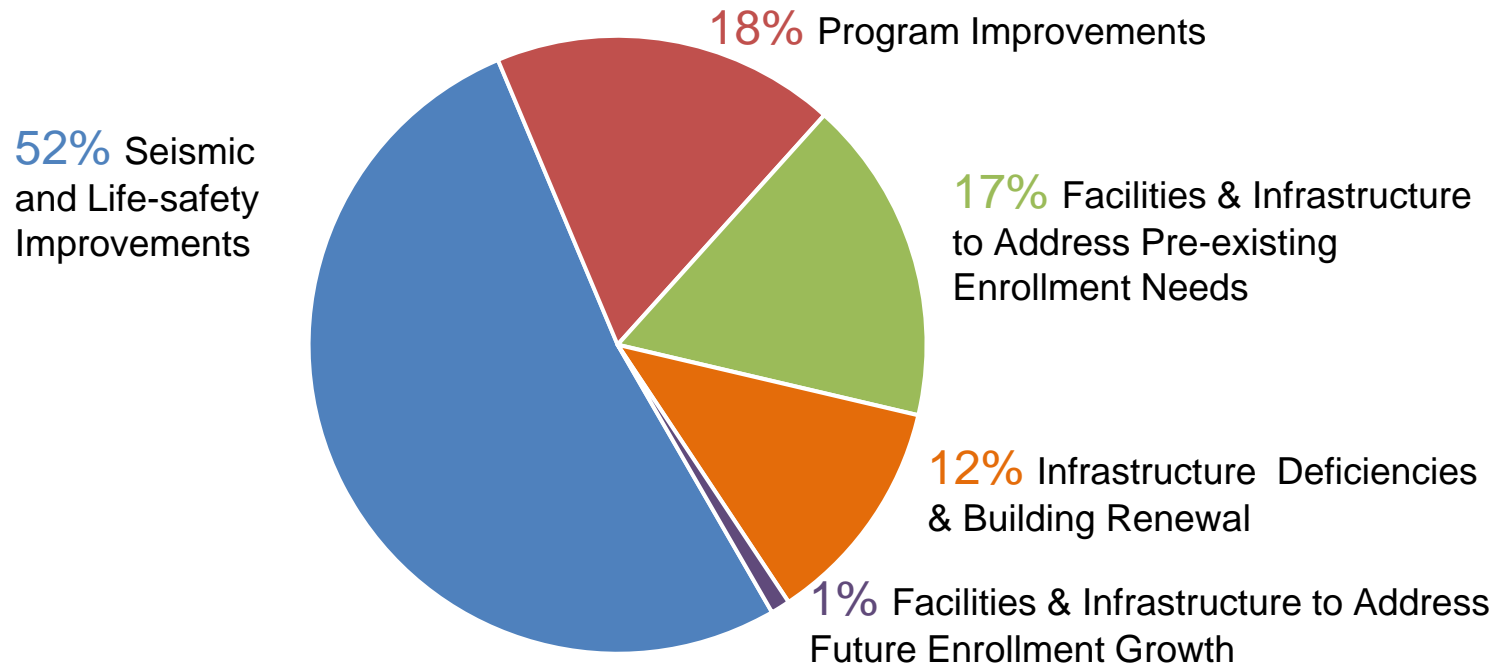
Preserving Quality

- **Plan calls for reinvestment in areas critical to academic quality, \$310 million**
- Will allow us to, for example:
 - Fill faculty positions which had been deferred
 - Restore eliminated course offerings
 - Reduce class sizes
 - Increase competitiveness of graduate student support
 - Reinvest in library materials
 - Purchase modern instructional equipment
 - Reinvest in quality of campus life for students (extend service hours, restore academic support services, etc.)

2012-13 UC Capital Outlay Request

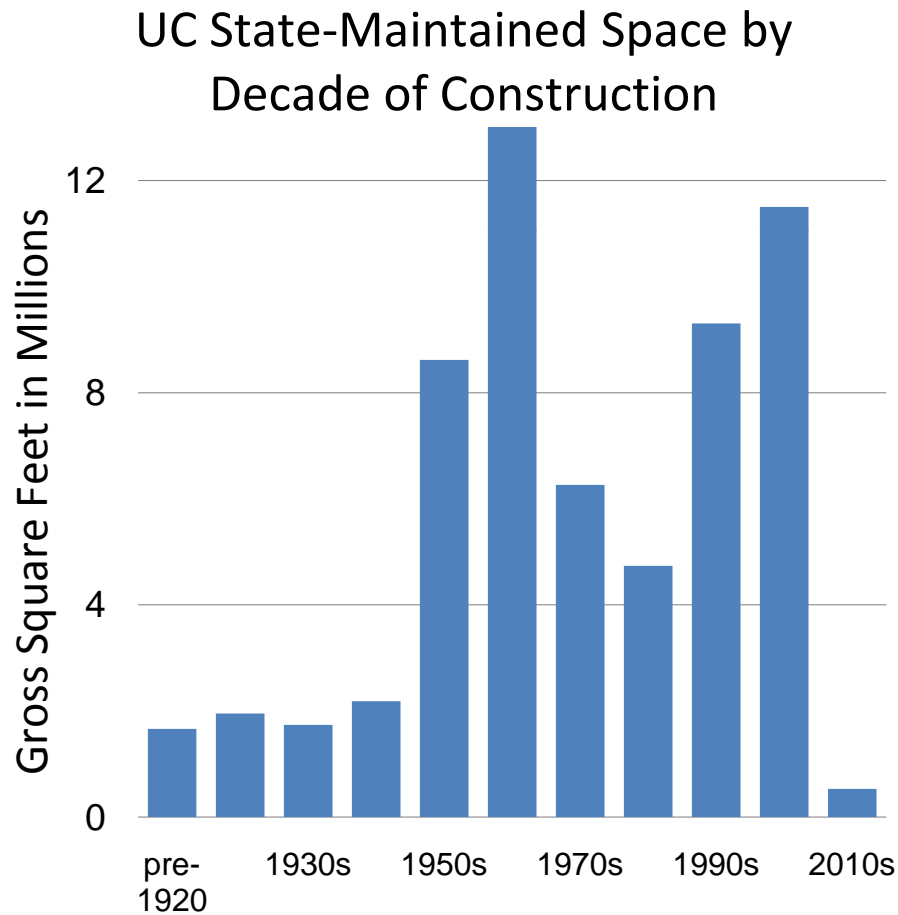
- UC identified \$1.13 billion in state funded capital outlay need
- DOF returned all UC Capital Outlay, Budget Change Proposals (CO, BCP's)
- UC working with DOF on alternative financing of future capital facility projects
- UC prepared to identify long-term capital facility needs in the event of a November 2012, General Obligation bond

State 2012-13 Capital Outlay Objectives



- Total UC State capital proposal for 2012-13 is \$1.13 billion
- Over half supports critical seismic and life-safety needs
- Includes projects previously proposed but not included in State Budgets for past four years

Capital Renewal Needs



- The building boom in the 1950s and 1960s drives the rising capital renewal costs.

Next Steps

- Discussion in January:
 - review Governor's Budget for UC
 - consider revenue alternatives and potential expenditure trade-offs
- March Regents for approval of UC budget