



# University of California 2016-17 Budget for Current Operations and Three-Year Financial Sustainability Plan

Executive Vice President Nathan Brostrom  
Associate Vice President Debora Obley  
November 19, 2015

# UC Remains Committed to its Three Pillars of Excellence

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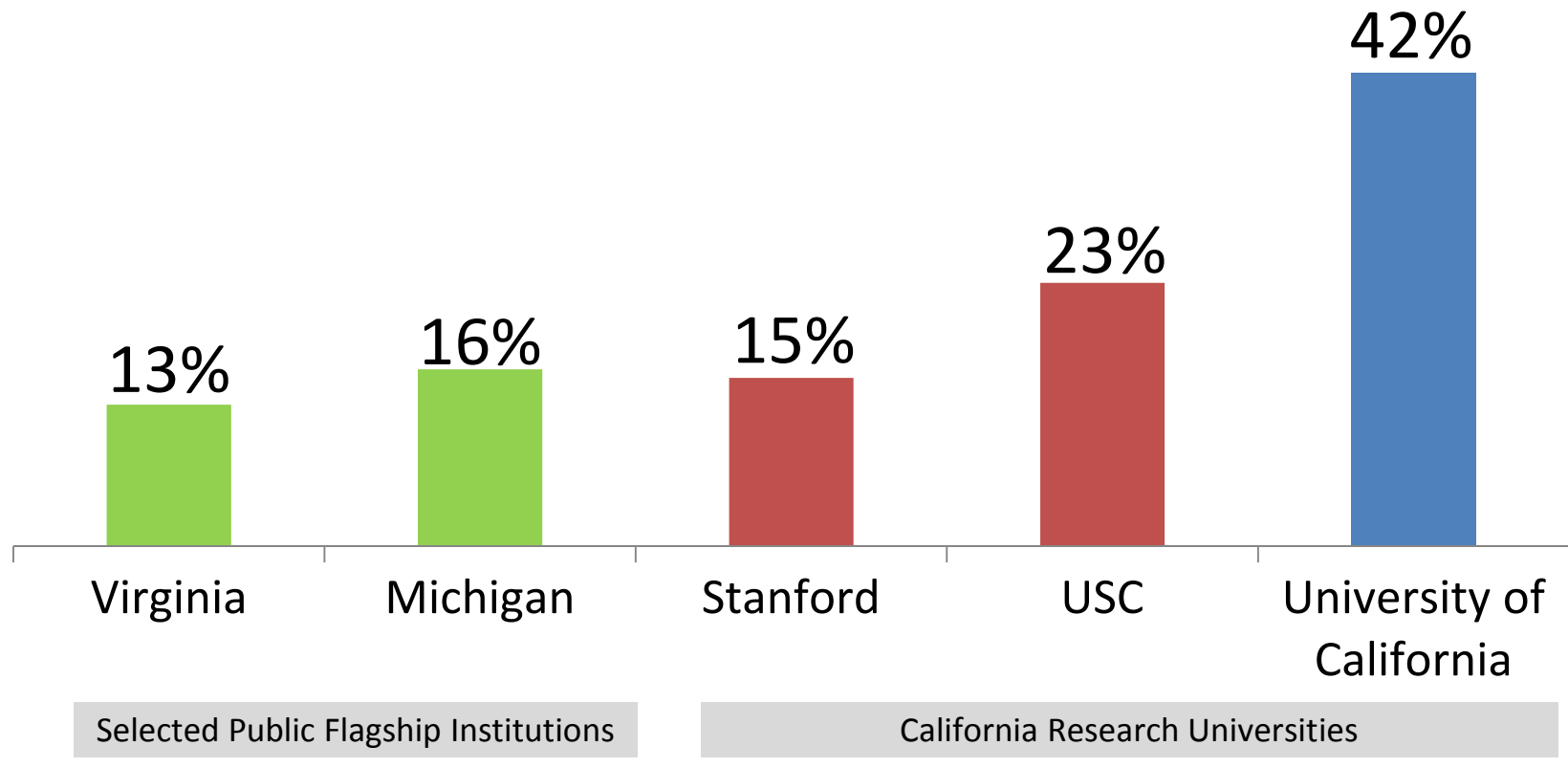
- Access
  - Expanding access for qualified resident undergraduates from across California
- Affordability
  - Ensuring finances are not a barrier for qualified students
- Quality
  - Providing top quality instruction, world-class research, and high-value public service

## The Upshot (*New York Times*), September 17, 2015: “Colleges Doing the Most for Low-Income Students”

Rank	Institution	Freshman class	Low-income students	Net price, middle-income	College Access Index	Endowment per student
1	UC Irvine	5,449	40%	\$13k	1.91	\$11k
2	UC Davis	5,063	31%	\$14k	1.62	\$24k
3	UC Santa Barbara	4,597	31%	\$14k	1.61	\$11k
4	UC San Diego	5,218	28%	\$13k	1.55	\$24k
5	UC Los Angeles	5,684	28%	\$13k	1.53	\$65k
6	U of Florida	6,348	24%	\$9k	1.52	\$29k
7	UC Berkeley	4,677	23%	\$13k	1.37	\$92k
8	Vassar	662	22%	\$12k	1.36	\$352k
9	Amherst	466	20%	\$11k	1.33	\$930k
10	Pomona	396	18%	\$9k	1.32	\$1.147m

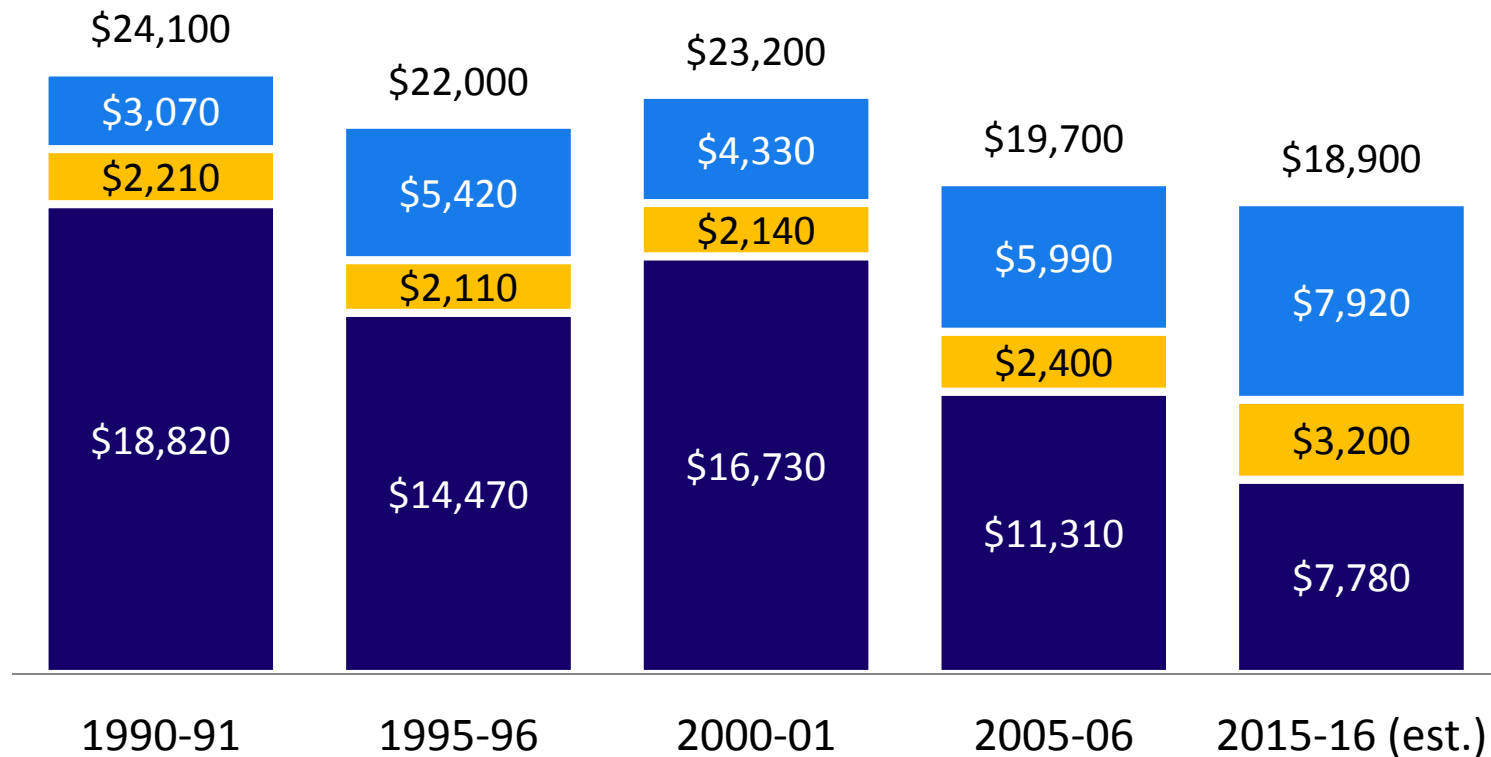
# UC serves a higher proportion of low-income students than other top research universities

**Percentage of Undergraduates from Low-Income Families (Pell Grant recipients), 2013-14**



# UC has reduced expenditures on a per-student basis

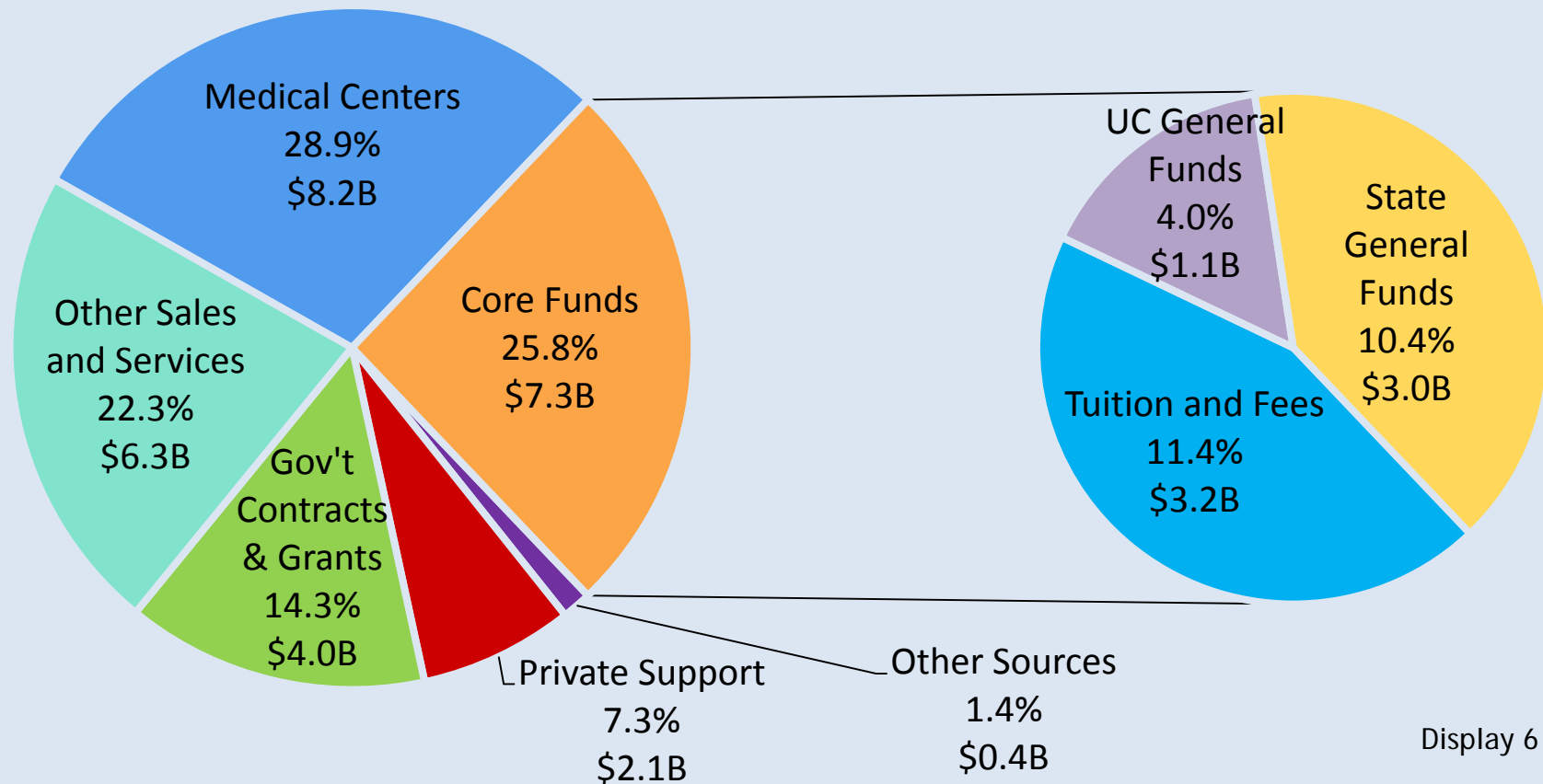
■ State General Funds   ■ UC General Funds   ■ Student Tuition and Fees



Average inflation-adjusted resources per general campus student. Excludes financial aid.

# The University's budget is funded from a variety of sources

- State support, tuition, and UC General Funds provide the core support for UC's basic operations.



# Funding Framework: Predictable State Funds

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- 4% base budget increases extended through 2018-19
  - More than \$500 million over next four years
- One-time funds to address deferred maintenance and energy projects in 2015-16
- One-time funding for UCRP unfunded liability over three years, contingent on implementation of State pensionable salary cap

# Funding Framework: Predictable Tuition Plan for Future Years

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- No tuition increase for 2015-16 or 2016-17
- Student Services Fee to increase by 5%, providing significant revenue for student mental health services
- PDST increases may be proposed at programs other than law
- Nonresident Supplemental Tuition increases



# Budget Act of 2015: Key Elements

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- 4% base budget adjustment, consistent with the framework
- \$25M beginning 2015-16 if UC shows that it will enroll 5,000 more CA undergraduates by 2016-17 (over 2014-15 base)
  - UC to demonstrate sufficient actions to accomplish this goal by May 1, 2016
  - DOF will release \$25M to UC at that time
- Dream Loan Program

# UC's 2016-17 Operating Budget Plan

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- Expands access for California resident undergraduates
- Assumes no tuition increase
- Requires substantial contribution from UC in cost savings and alternative revenues
- Addresses UC's mandatory and high-priority costs
- Invests in academic quality

# Sustained Expanded Access for California Undergraduates

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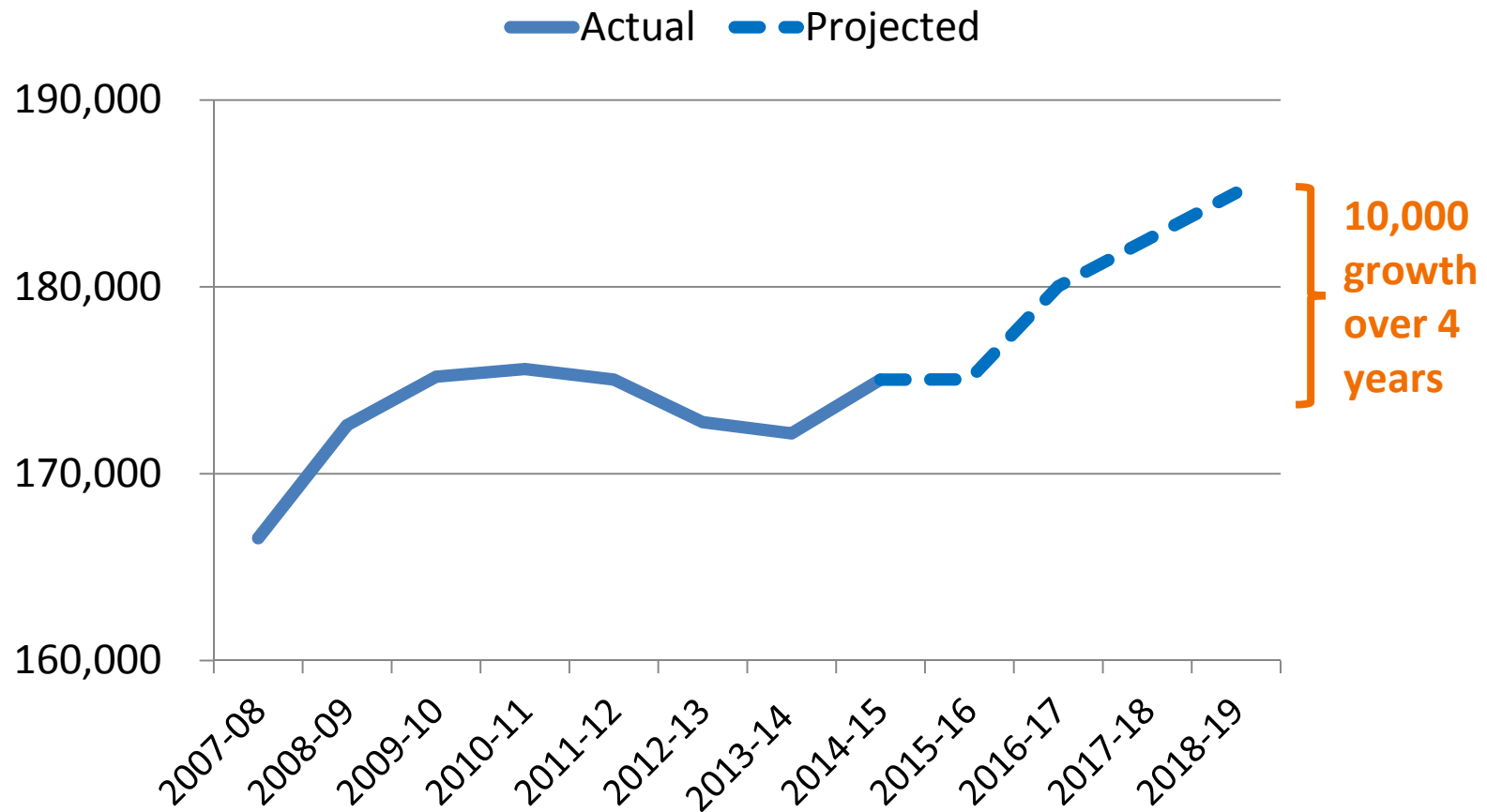
- UC proposes 5,000 more CA undergraduates by 2016-17 compared to 2014-15
  - Meaningful growth at every campus
  - Increase in CCC transfer enrollments
  - Graduate enrollment increase of 600
- Increases in 2017-18 and 2018-19 will result in 10,000 total increase in CA undergraduates

# Sustained Expanded Access for California Undergraduates (Cont'd)

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- \$25M from the State supports one-half of the undergraduate enrollment increase
- UC will fund the other half
  - Repurposing of financial aid funds for future nonresident undergraduates - \$14M in 2016-17
    - Existing nonresident students will not be affected
    - Additional savings in future years
  - One-time \$25M in 2015-16 will be used as temporary bridge funding

# Trends in CA Resident Undergraduate Enrollment



Figures represent total full-time equivalent (FTE) enrollment of California undergraduates, including summer

## UC's 2016-17 Operating Budget Plan: Cost Savings/Alternative Revenues

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• Asset management	\$	40M
• Centralized procurement		30M
• Fiat Lux/Risk Captive		15M
• Philanthropy		10M
• Redirected nonresident aid		<u>14M</u>
• Subtotal	\$	109M

# UC's 2016-17 Operating Budget Plan: State General Funds

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- Permanent Funds

Undergraduate enrollment	\$	25.0M
Graduate enrollment*		6.0M
4% base budget increase		<u>125.6M</u>
Subtotal	\$	156.6M

- One-Time Funds

Prior year enrollment funding	\$	25.0M
Deferred maintenance*	\$	25.0M

\*Not included in the framework

# UC's 2016-17 Operating Budget Plan: Other Revenue

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- Tuition and Fees

Student Services Fee (5%)	\$	8.7M
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Growth-related tuition revenue		55.2M
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Revenue for financial aid		<u>33.1M</u>
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Subtotal	\$	97.0M
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- UC General Funds

Nonresident tuition	\$	68.7M
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## UC's 2016-17 Operating Budget Plan: Mandatory Cost Increases

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Retirement contributions	\$	24.1M
Employee health benefits		28.4M
Annuitant health benefits		4.2M
Contractually committed compensation		26.9M
Faculty merit program		32.0M
Non-salary price increases		<u>29.7M</u>
Subtotal	\$	145.3M

# UC's 2016-17 Operating Budget Plan: Enrollment / High Priority Costs / Financial Aid

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• Enrollment		
5,000 undergraduates and 600 graduates	\$	56.0M
• High Priority Costs		
Compensation	\$	129.4M
Deferred maintenance		50.0M
Capital outlay		15.0M
Subtotal	\$	194.4M
• Financial Aid		
Dream Loan	\$	5.0M
Return-to-aid		30.6M
Subtotal	\$	35.6M

# UC's 2016-17 Operating Budget Plan: Investment in Academic Quality

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- \$50M available as a pool to campuses for:
  - Improved student-faculty ratio
  - Modernizing instructional technology
  - Graduate student support
  - New faculty support

# Three-Year Sustainability Plan: Key Elements

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- Enrollment growth
  - 5,000 CA undergraduates and 600 graduate students by 2016-17
  - 2,500 CA undergraduates and 700 graduate students in 2017-18 and 2018-19
- Relies upon State marginal cost funding of \$10,000 per student after 2016-17

# Funding Components

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- Increases in State funds and tuition revenue consistent with the framework
- State marginal cost funding for growth beyond 2016-17
- Growth in alternative revenues and cost savings from UC initiatives
- Continued investment in academic quality
- Moderate increases in mandatory and high-priority costs

# Alternative Approach

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- Assumptions provided by the Department of Finance (DOF) did not include enrollment growth
- Alternative approach is consistent with DOF instructions included in the Appendix to the Plan
- Alternative approach does not reflect UC's preferred path forward

