



University of California Update on Long Range Financial Plan

November 19, 2014

Agenda



University of California funding: A brief history



Efficiency and revenue generation efforts to date



Modeling UC's longer-term funding needs

The state's investment in UC helps the California economy grow and thrive

- UC generates **\$46.3 billion in economic activity for California** from the production, distribution and consumption of goods and services.
- **Every \$1 the California taxpayer invests in UC**, leveraged by revenues from other sources, results in **\$13.80 in overall economic output.**
- UC research in 2013 led to **1,727 new inventions** — an average of five a day.
- UC brings in nearly **\$8.5 billion in federal support**, including over \$4 billion in research and other contracts and grants and \$2.8 billion in Medicare and Medicaid funding.

The state's investment in UC helps California families move up the economic ladder

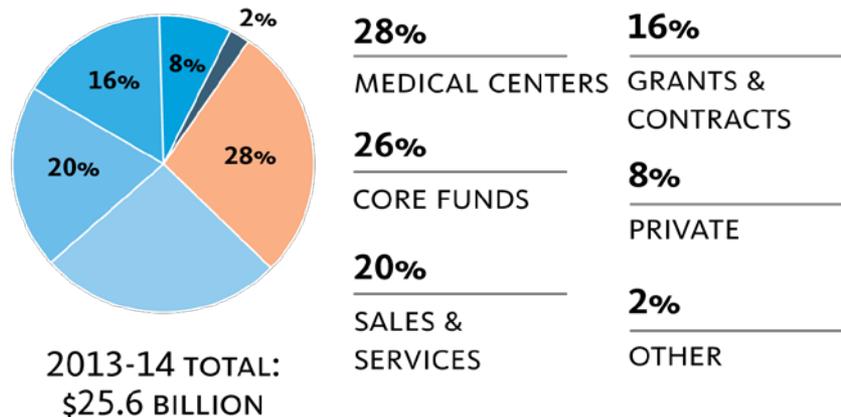
- **55% of California resident students pay no tuition** because of our robust financial aid programs.
- 41% percent of UC's 2013 freshman class were **first-generation college students**.
- **42% of UC undergraduates come from low-income households** – typically with incomes of \$50K or less.
- Within five years of graduation, the **median individual income of our low-income students exceeds that of their families when they entered UC**.

Core funds provide the primary permanent support for the educational mission of the University

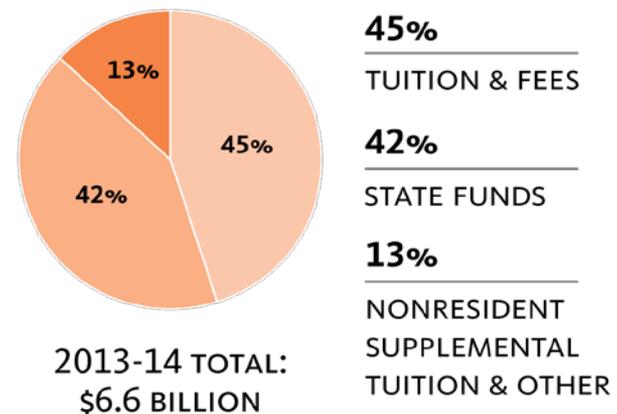
- Core funds provide the main source of support for the educational mission of the University, including faculty, academic support, instructional equipment, academic facilities, and student services needed to deliver a UC education.
- Core funds come from two principal sources: State funding, and student tuition and fees.
- Non-Core funds are generally restricted in use.

UC FUNDING FOR EDUCATION

TOTAL REVENUE 2013-14



CORE FUNDS 2013-14

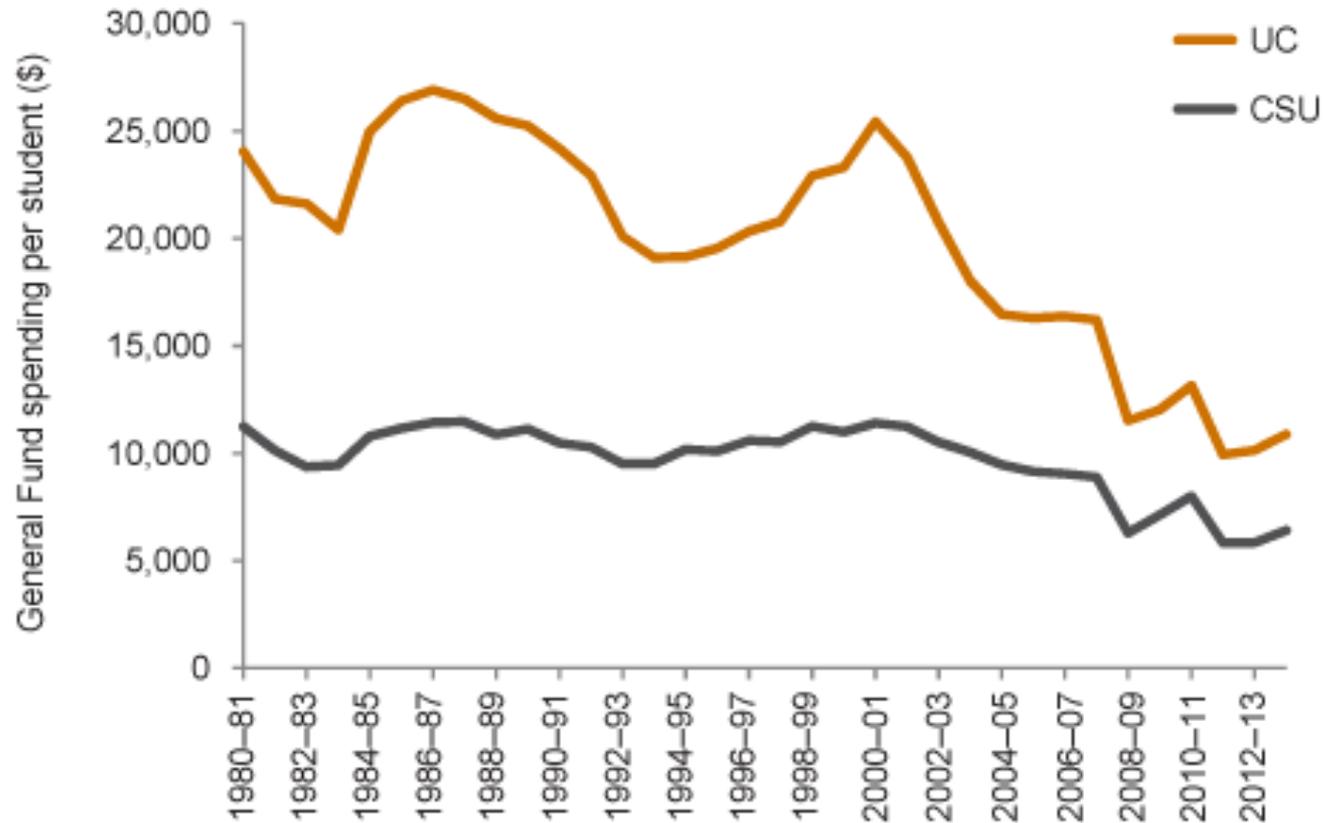


“General Fund subsidies per student fell by more than 50 percent at UC and CSU [since 2007-08]...”

“[S]tate support for UC and CSU students remains near the lowest level in more than three decades.”

From PPIC Report on “Higher Education in California: Institutional Costs” (November 2014)

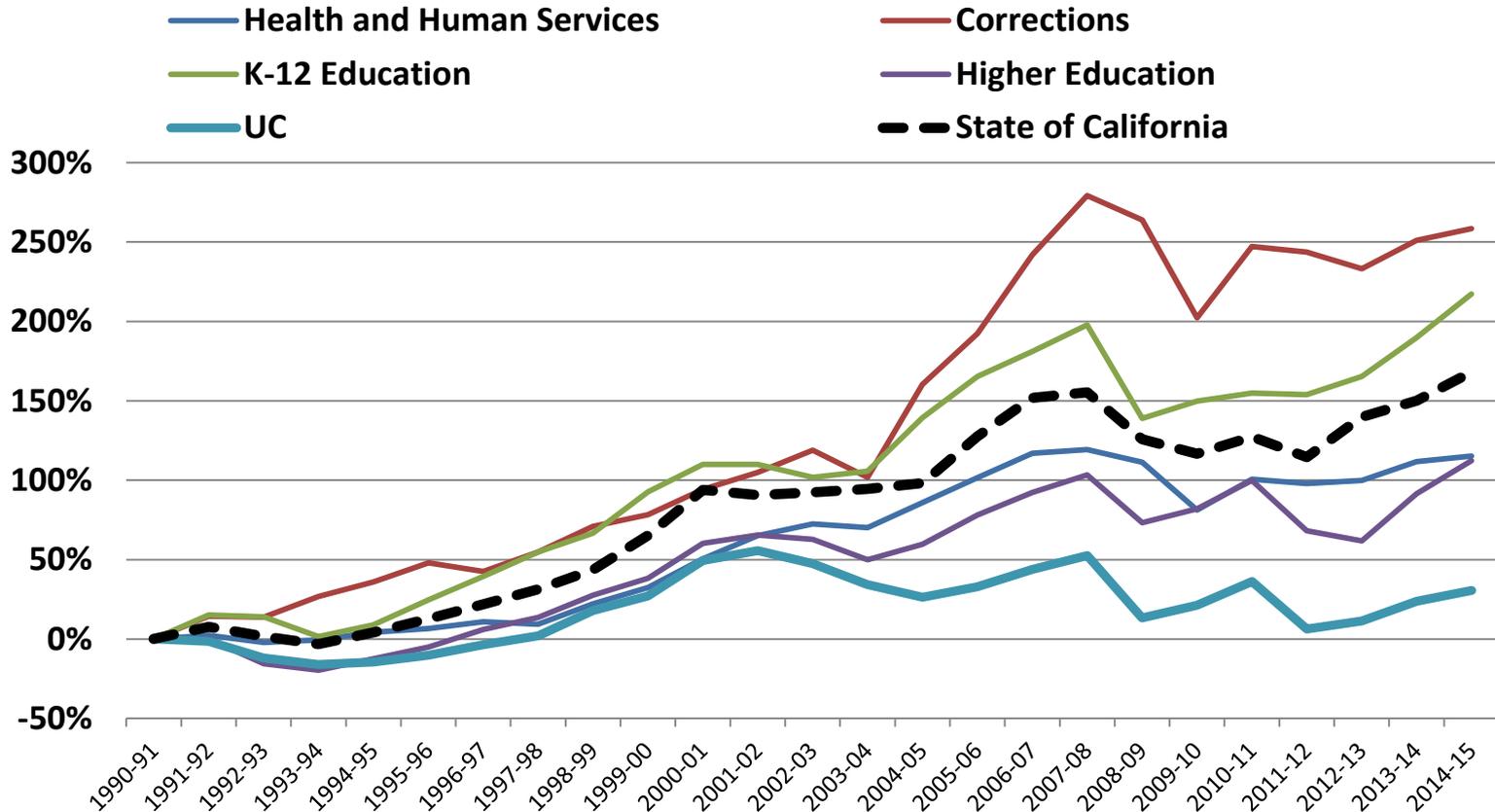
State Support for UC and CSU has Declined Dramatically Since 1980-81



Source: California Budget Project, *From State to Student*

“As Spending on CSU and UC Has Declined, Corrections Spending Has Soared.” Budget Brief, *California Budget Project* (May 6, 2014)

Change in State Agency Funding Since 1990



•Not adjusted for inflation

A 4% increase in State funding is equivalent to a 1.7% increase in UC's core funding for education in 2014-15

- The State now provides less than half of the University's core educational funds
- Even if State funds increase by 4% in 2015-16, UC's total core educational funds – including both State funds and tuition – would increase by only 1.7%
 - 1.7% is less than inflation and does not cover UC's mandatory cost increases in 2015-16
 - A 4% increase in UC's total core education budget would represent \$276 million – leaving a substantial shortfall given the Governor's planned increase of only \$119.5 million
- To meet its basic funding needs, UC needs an additional commitment from the State or student tuition and fee increases

UC's quality is widely recognized – but can be lost quickly and take decades to rebuild

- **4 UC campuses rank in the top 5** of the 2014 *Washington Monthly* ranking of institutions of higher education
- **4 UC campuses rank in the top 6** of the 2014 *Time (Best Value)* survey of institutions of higher education
- **5 UC campuses rank in the top 10** of the 2015 *US News & World Report* rankings of public universities

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Balanced budget solutions

UC has done a lot already to improve efficiency and generate alternative revenues to mitigate reductions in State support

- ***Working Smarter*** – a portfolio of over 30 projects to increase operational efficiency and drive revenue – has generated more than \$660M in impact over the last 4 years. Major fiscal impacts have been in:
 - Benefits redesign (\$35M)
 - Enterprise Risk Management (\$183M)
 - Procurement (\$124M)
 - Statewide Energy Partnership program (\$43M)
- ***Healthcare Costs*** – UC has simplified insurance plan offerings, rebid insurance packages, and shifted a greater portion of retiree healthcare costs to retirees
- ***UCRP*** – Increases in University and employee contributions to UCRP have been initiated to put the program on a sustainable financial path

Over the last five years, we have reduced faculty and staff paid with core funds

Faculty and Staff paid with core funds (2008-2013)				
	2008	2013	Total Decline ('08-'13)	Change
Ladder Faculty	8,259	8,024	-235	-2.8%
Other Academic	4,523	3,917	-606	-13.4%
Professional and Senior Management	3,134	2,644	-490	-15.6%
Staff	19,778	15,032	-4,746	-24%
Student Employees	7,552	7,574	22 (increase)	.3%
Total faculty and staff employees	35,694	29,617	-6,077	-17%

UC is also transforming education delivery and improving student outcomes as the student demographic changes

Examples include:

- **UCLA's Challenge 45** where approximately 50 majors streamlined curriculum to have no more than 45 required upper-division units
- **UC Berkeley's Common Good Curriculum** initiative that in 4 years directed \$16.4 million in nonresident tuition revenue to add 350 course sections in math, science, reading and composition, and foreign language; 900 math & science lab/discussions
- **UC's cross-campus enrollments** system and provision of 60 high-demand online undergraduate courses
- **UC Irvine's pilot programs to leverage predictive analytics** for entry level STEM majors and subscription to the Education Advisory Board's Student Success Collaborative
- **UC Davis' three-year accelerated pathway to medical degrees**

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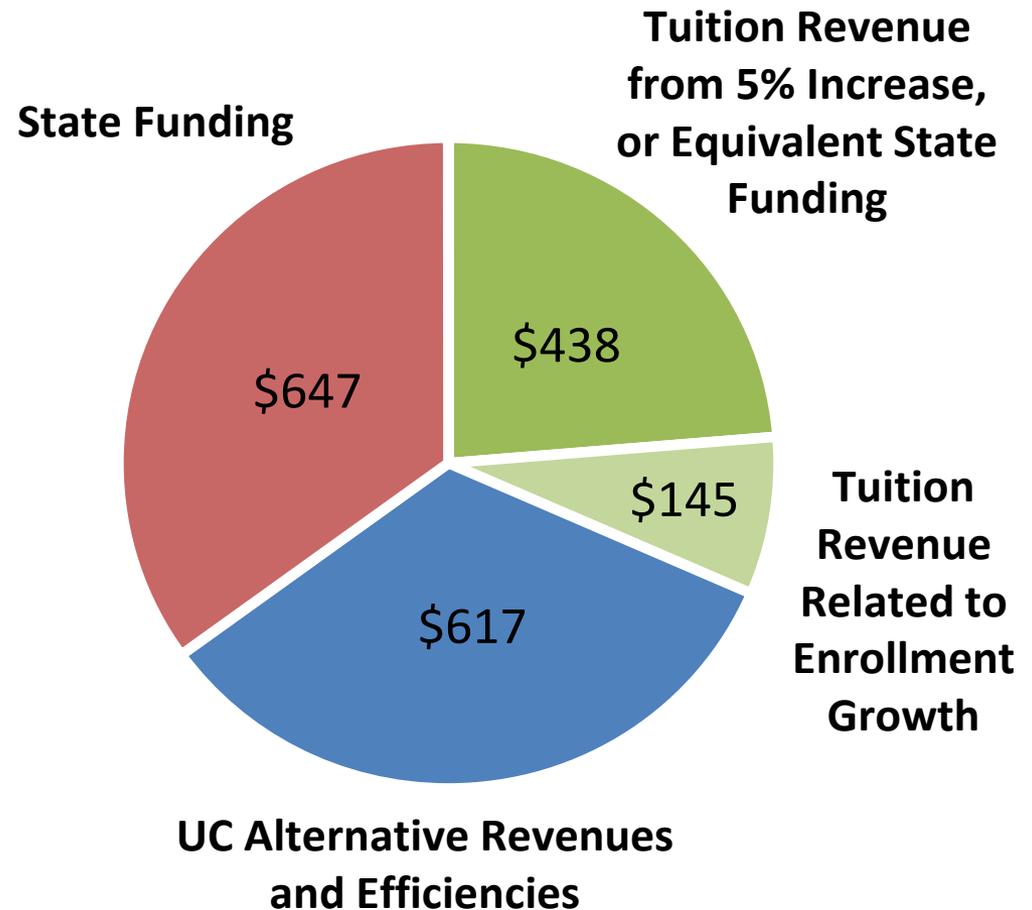


Modeling UC's Longer-term funding needs

UC can meet its long-term funding needs with a combination of resources

- UC must continue to implement **efficiency improvements** and develop **alternative revenues**, including nonresident supplemental tuition
- **State support** (assuming 4% base budget adjustments)
- **Moderate and predictable tuition increases** (up to a ceiling of 5% annually over next five years), or equivalent additional State funds
- **Enrollment growth**

Five-Year Funding Needs \$1.8B



What will funding support?

California Enrollment Growth

- Enrollment of at least 5,000 more California residents over 5 years, with some growth occurring on all campuses

Student Success

- The continuation of UC's robust financial aid program for students and families earning up to \$150,000 per year
- Provide academic support services to help students graduate in four years or fewer
- Increase in funding for student mental health programs

Academic Excellence

- Hiring additional faculty and teaching assistants to teach more students and improve the student/faculty ratio
- Providing more course offerings and selection
- Increasing graduate student support

Funding will protect access for a changing student demographic

Funding will ensure continued access for all eligible Californians, provide the academic and student services needed for success at UC, and protect academic excellence for an increasingly diverse student body

