Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

DISCUSSION ITEM

For Meeting of September 15, 2010

DISCUSSION OF 2011-12 BUDGET DEVELOPMENT

Vice President Lenz will make an oral presentation to the Board on options and considerations being discussed as part of the development of the 2011-12 budget. Amid the ongoing national recession, constrained State resources have forced the University to pursue a series of systemwide and campus-level actions to generate new revenue and achieve budgetary reductions. For 2011-12, cost increases provide added pressure. The prolonged nature of the current fiscal crisis, combined with the fact that it is the second major fiscal crisis within this decade, makes it imperative that the University develop a budgetary strategy for preventing further erosion in quality and protecting access and affordability, while at the same time addressing the reality of the challenges that come with inadequate funding from the State.

Background

From 2005-06 through 2007-08, the Higher Education Compact with Governor Schwarzenegger served the University well. However, in 2008-09, the State’s ongoing budget deficit led to a series of proposed reductions in State funding for UC. Ultimately, actions at the State level in July 2009 dramatically reduced State support of the University’s core operations for 2008-09 and 2009-10. Federal economic stimulus funds were provided on a one-time basis to help offset the reduction in State funds, but the University was left with a net reduction in State funding of $637.1 million (about 20 percent of State support) for 2009-10. This reduction in support was compounded by cost increases related to enrollment growth that had not been funded by the State, academic merit salary increases, employee and retiree health benefit cost increases, the restart of employer and employee contributions to the UC Retirement Plan (UCRP), and other costs.

The Regents took initial steps in July 2009 to address the State reduction by implementing the temporary furlough/salary reductions plan to generate General Fund savings. The previously approved student fee increases for 2008-09 and 2009-10 and the two-year savings projected to be realized by restructuring UC debt were also recognized as sources of funding to limit the cuts on the campuses. In November 2009, the Regents approved a 15 percent mid-year student fee increase for 2009-10 and another 15 percent fee increase for the 2010-11 academic year.

Despite these actions, UC campuses were left with significant budget shortfalls. At the July 2009 Regents meeting, the Chancellors described the initial projections of the impact that the
funding shortfalls will have on their respective campuses, including extensive lay-offs, cancellation of classes, deferrals of faculty hiring, elimination of programs and curtailment of campus services. Over the year, it has become more apparent that the breadth and depth of these fiscal challenges are threatening the basic quality of the education being provided to our students.

Specifically, the following has occurred on the campuses as a result of the fiscal crisis:

- More than 2,600 staff have been laid off and another 1,400 positions have been eliminated since the fiscal crisis began.
- Scores of programs have been eliminated for an estimated savings of over $5 million.
- Due to budget constraints, the University has not provided regular merit increases, or range adjustments, to a significant portion of its staff over an extended period. For example, UC has not had a staff merit program in four of the last seven years, going back to 2003-04. This has affected positions that range from the highest to lowest levels in administration, professional staff, and faculty.
- Academic and administrative units on the campuses were assigned cuts ranging in general from 6 percent to 35 percent, determined through a series of consultative processes on each of the campuses.
- A furlough program was instituted for most employees that called for temporary salary reductions of between 4 and 10 percent over a one-year period for an estimated one-time savings of $184 million.
- The University has established Working Smarter, an ongoing administrative efficiency initiative that seeks to redirect $500 million of positive fiscal impact in five years from administrative costs to the academic and research missions by building an integrated administrative framework for the entire UC system.
- Strategic sourcing, an initiative designed to achieve significant cost savings and build and improve the internal infrastructure that supports the core procurement functions, has achieved $207 million in cumulative cost savings from 2004-05 through 2008-09, and $52.8 million in additional savings in 2009-10.
- Through the Statewide Energy Partnership Program approved by the Regents in March 2009, the University is pursuing $247 million in energy conservation projects that are expected to generate $36 million in annual energy savings at the end of three years (or about $18 million after debt service is accounted for). Some of the energy projects will also help address UC’s growing capital renewal and deferred maintenance needs. Item GB2 before the Board in September, if approved, will expand this program to include an additional $2 million in savings associated with an expanded number of projects.
- Significant restrictions have been placed on travel and other purchasing. As an example, travel expenditures at the Office of the President were down over 60 percent as a result of the travel constraints.

No campus is applying across-the-board cuts, but rather each is using a consultative, deliberative process to determine how cuts should be allocated. All campuses report disproportionate cuts to administrative programs in order to reduce the impact on academic programs. Most campuses
report increased class sizes, elimination of class sections, significantly reduced faculty recruitments, and unfilled positions. Campuses are using one-time actions to varying degrees, such as tapping temporary funds and reserves or the deferral of equipment purchases, to address shortfalls in the short term while more permanent cuts can be implemented over the next year or two. These actions are helpful, but many are not sustainable over the long run.

**Development of the 2011-12 Budget**

It is anticipated that the State’s fiscal condition for 2011-12 may be as difficult or perhaps more difficult than 2010-11, depending on the budget solutions adopted for the 2010-11 budget. For example, many of the revenue enhancements adopted on a temporary basis during the Special Session in 2009 sunset in 2011-12 unless action is taken to extend them. Thus, it is highly likely that the University is facing yet another year of constrained budgets while many costs continue to rise. During a period of unprecedented State funding reductions, the University’s 2011-12 budget request should attempt to balance the need to provide access, maintain quality, and stabilize fiscal health.

The September meeting will include a discussion of the issues under consideration for the 2011-12 budget. A proposed budget plan will be brought before the Board for approval in November.

The key issues to be considered in development of the 2011-12 budget plan include:

- continued curtailment of enrollment to more closely match resources through maintenance of enrollment targets for new California resident freshmen, reduced from 2008-09 levels by 3,800 students;
- continuing the academic merit program, a critical activity for retaining high-performing faculty;
- funding compensation increases already approved as part of the collective bargaining process;
- reviewing the need for compensation increases for faculty and non-represented staff in order to prevent further erosion in terms of the market competitiveness of UC salaries;
- increasing employer and employee contributions to the UC Retirement Plan to 7 percent and 3.5 percent, respectively, for 2011-12 (Item J5 at the September meeting requests Regental approval of this change);
- preserving the quality of employee and retiree health benefits programs while striving to contain cost increases;
- keeping pace with inflationary costs for instructional equipment, technology, library materials, purchased utilities, and other non-salary items;
- increasing mandatory systemwide student fees to help address inadequate State funding and to maintain quality;
- raising professional school fees to promote quality;
- sustaining the University’s commitment to affordability by setting aside a portion of new fee revenue for financial aid; and
- expanding and renewing essential infrastructure and facilities, and maintaining progress on seismic and other life-safety improvements.
The development of the 2011-12 budget occurs in a context shaped by the State’s ongoing fiscal crisis and the University’s efforts to respond to the resulting State funding reductions with both temporary and long-term solutions.

Between 2005-06 and 2007-08, State support for the University was guided by the Higher Education Compact with Governor Schwarzenegger. The provisions of the Compact called for the State to provide funding increases for 2008-09, 2009-10, and 2010-11 of at least $223 million each year. However, the State’s ongoing budget deficit led to reductions, rather than increases, in State funding beginning in 2008-09. State funding for UC during 2009-10 was $637.1 million less than the 2007-08 funding level, and $1.1 billion below the level called for in the Compact. This shortfall does not reflect an assumption about the State’s share of the employer contribution to UCRP, which would make the gap even higher. As shown in Display 1, even if the Governor’s proposal for State support for UC during 2010-11 is ultimately approved, funding will remain $900 million below the level envisioned in the Compact.

**Display 1**

**Expected Compact vs. Actual State Funding**

As mentioned earlier, the University’s budget plan for 2011-12 is being developed in the context of the continuing inability of the State to fund basic costs and provide adequate support for the University. While most of the State budget reductions for UC during 2008-09 and 2009-10 were proposed and approved as temporary cuts, the continuing State budget deficit makes the restoration of these earlier reductions highly uncertain.
Nevertheless, it is important that the University continue to promote awareness on the part of the State and others regarding the University’s need for adequate support. The University will at minimum request the following:

- restoration of one-time reductions included in the Governor’s vetoes of the Special Session Budget package in February 2009 that have not yet been restored. A total of $305 million was originally vetoed during 2009-10. Full restoration of this funding was proposed by the Governor in his January 2010 budget and restoration was further supported by the Legislature during the budget committee process. At the time of this writing, negotiations on the final State budget package have not been completed. However, the current version of the budget under consideration includes the restoration of $305 million. If that restoration is ultimately eliminated, or partially eliminated, from the 2010-11 budget, restoration will again be requested in 2011-12;

- restoration of $167.5 million in funding associated with a two-year reduction proposed by the Governor in May 2009 for the 2009-10 budget;

- funding for the State’s share of the cost of re-starting contributions to the University’s retirement system, totaling approximately $171.1 million. This figure consists of $95.7 million for the State’s share of the initial 4 percent employer contribution during 2010-11 and $75.4 million for the State’s share of a proposed 3 percent increase in the employer contribution for 2011-12;

- funding for the State’s share of cost increases associated with retiree health benefits (approximately $10.5 million);

- marginal cost of instruction funding for enrollment of students for whom the State has not provided support (the exact number of students and associated dollar amount will be determined once the negotiations for the 2010-11 budget have been completed); and

- restoration of the remaining $164.6 million needed to return State support for UC to the 2007-08 level.

**Major Expenditure Challenges Facing the University in 2011-12**

The University faces a continuing challenge associated with the lack of funding for a large number of students enrolled during the fiscal crisis. Moreover, in addition to the continuation of mandatory cost increases occurring over the last several years, the University will face increases in mandatory costs in 2011-12 totaling at least $200 million related to contributions to the UC Retirement Plan, merit increases for academic employees, general range and merit increases for other employees, health benefit cost increases for both employees and retirees, and other non-salary cost increases. This section describes major expenditure challenges facing the University in the coming budget year.

- **Curtailing Enrollment to Reflect Available Financial Resources.** The current State fiscal crisis has dramatically altered the University’s enrollment landscape. The State has been unable to provide funding for enrollment growth that occurred during 2008-09 and 2009-10. As a result, during 2009-10, UC enrolled more than 15,000 FTE students for whom the State did not provide funding at an estimated cost to the University of $152 million.
In response to the State’s inability to provide the resources necessary to support enrollment demand, the University has taken steps to curtail enrollment growth. Because of the timing of the proposed budget and the unfairness of late notice to students and their parents, no action was taken to reduce the number of incoming students during 2008-09. For 2009-10, UC planned to reduce the number of new California resident freshmen by 2,300 students as a means of slowing enrollment growth, and for 2010-11, the planned reduction was increased by another 1,500 students, for a total reduction of 3,800 students. Fewer students were admitted to the campus or campuses of their choice and more applications were sent to the referral pool for accommodation primarily at Merced (a few were accommodated at Riverside). As a result, students had fewer campus choices for accommodation at UC and, in some cases, chose to pursue their education elsewhere. During 2009-10, the actual number of new California resident freshmen fell by more than 2,000 students. For 2010-11, current estimates suggest that campuses fell short of the planned reduction, achieving a reduction of only 2,850 over the two-year period. The freshman reductions were partially offset by an increase of more than 1,000 California Community College (CCC) transfer students over the two-year period. The University took this action in order to preserve the transfer option in difficult economic times.

Accommodating enrollment without sufficient resources (except the student fee income associated with enrollments) has meant that new and existing students alike have been affected by the lack of resources to support a high-quality academic experience. As mentioned earlier, campuses are employing a variety of measures to deal with the budget shortfall — slowing the hiring of permanent faculty, narrowing course offerings, increasing class sizes, curtailing library hours, and reducing support services for students, all of which are negatively affecting what has historically been an education characterized by excellence and opportunity.

During a budget crisis, such steps are necessary. However, these actions are not sustainable over a long period of time, if the quality of the University is to be preserved. Revenue from student fees has helped, but it is insufficient to fully address the loss in State funding. While acknowledging that access is important, the University cannot indefinitely accommodate larger numbers of students without adequate resources needed to provide them a UC-caliber education.

If enrollments are to be brought more in line with the resources provided by the State in order to preserve quality, the University must continue restrictions on the enrollment of new California resident freshmen in 2011-12 and later years. At present, the University is considering holding the size of the entering California resident freshman class at its current level for several more years. For CCC transfer students, 2010-11 enrollment levels would be maintained or slightly increased by 250 FTE. For graduate students, 2010-11 enrollment levels would be maintained.

Displays 2 and 3 on the next page depict what has occurred with respect to new student enrollment and total enrollment over time.

- **Compensation for Academic and Staff Employees.** Earlier cuts to the University’s budget have resulted in significant disparities in faculty and staff salaries compared to the market. In 2009-10, UC faculty salaries lagged their market comparators by 11.2 percent (prior to
Display 2
Actual and Targeted Enrollments of California Resident Freshmen and California Resdent California Community College Transfers

- CA Freshmen Targets: 3,800 Student Reduction
- CCC Transfer Targets: 1,000 Student Increase

Display 3
State-Supported Enrollment

- State-Funded Target
- Actual Enrollment
- Current Trajectory
- Governor's Proposal
application of salary reductions related to the furlough program) and there are similar or
greater disparities in staff salaries in some employment categories. While the merit and
promotion system for academic employees has been maintained, no general salary increases
were provided for most faculty or staff in 2008-09 and 2009-10.

Furthermore, to provide immediate, temporary financial relief to the University in the face of
unprecedented reductions in State funding, the University implemented a one-year
furlough/salary reduction plan. Graduated salary reductions based on total salary levels
ranged from 4 to 10 percent and furlough days ranged from 10 to 26 days over the year.

Looking ahead, compensation costs will remain a significant issue over the next several
years. First, the cost to continue the academic merit and salary program, net of salary savings
from retirements and separations, will grow at an annual rate of nearly $30 million. Second,
current collective bargaining agreements will cost UC’s core funded programs more than $6
million during 2011-12 and much more in other areas of University operations.

The University will face additional pressures to improve the competitiveness of faculty and
staff salaries as employee contributions to the UC Retirement Plan rise during 2011-12, as
the costs of the employee share of medical and dental benefits continue to rise, and as a
national economic recovery affects UC’s efforts to recruit and retain the highest quality
faculty and staff.

Options under discussion include general salary increases of 1.5 percent to 2.5 percent in
2011-12. An increase of 1.5 percent alone will offset the requested increase in employee
contributions to UCRS in 2011-12. The State General Fund share of this cost would likely
need to be funded by a redirection of resources from existing programs, since it is not
anticipated the State will provide general cost adjustments to State-funded programs. The
cost to core-funded programs of a 1 percent general salary increase for faculty and staff not
already covered by a collective bargaining agreement would be $29 million.

• **Benefit Costs.** Employee health benefit costs are rising at a rapid rate (10 percent for
calendar year 2010) and as previously noted, no State funds have been provided for this
purpose in recent years, dramatically exacerbating an already difficult problem. Campuses
have been forced to redirect funds from existing programs to address these cost increases –
beyond the redirections necessary to absorb base budget cuts.

• **Increases in Contributions to the UC Retirement System.** In April 2010, employer and
employee contributions to UCRP were reinstated at 4 percent and 2 percent, respectively. At
the September meeting, the President will recommend increasing the employer contribution
by 3 percent (for a total of 7 percent) and the employee contribution by 1.5 percent (for a
total of 3.5 percent) for 2011-12. The cost of the proposed change in the employer
contribution for programs supported from core funds will be $85.8 million, while the total
cost for all University programs will be $260 million.

• **Retiree Health Benefits.** In 2010, more than 53,000 UC retirees and beneficiaries receive
health benefits at a cost to the University of $260 million. In the absence of changes to the
current program, this amount is projected to rise rapidly over the next ten years, to more
than $610 million by 2018, as both health benefit premiums and the number of annuitants
rise quickly. The President’s Post-Employment Task Force has developed recommendations
that could mitigate the rate of increase in these costs in future years.
• **Maintenance of New Space.** In recent years, the University has engaged in a significant capital program in order to accommodate enrollment growth, address seismic safety issues, and renew aging facilities. Each year new buildings are completed and brought into service that must be operated and maintained. With limited State support during this period of significant campus growth, UC has been forced to redirect other UC funds to provide campuses with occasional one-time maintenance funding.

• **Keeping Pace with Inflation.** To maintain the quality of the instructional program and all support activities, the University must regularly replace, upgrade, or purchase new non-salary items such as instructional equipment and library materials. The University must also purchase utilities to provide energy to its facilities. Just as costs for salaries and benefits for employees rise, the University’s non-salary spending is affected by inflation. Even with the efficiencies described earlier, to offset the impact of inflation and maintain the University’s purchasing power, the University must identify funds to cover non-salary price increases.

• **Maintaining Quality in Professional Schools.** The quality of the University’s professional schools is critical to maintaining California’s leadership role in fields as diverse as health sciences, business, and law. Increased funding is needed to offset rising salary and other professional school costs, as well as to maintain and enhance the schools’ ability to compete for the best students and faculty.

Display 4 shows the budget gap that has developed for the University in recent years due to both State funding reductions and cost increases. In 2009-10, State funding for UC was reduced from the amount provided in 2007-08 by $637.1 million. In addition, from 2007-08 to 2010-11, the
University faced cost increases related to compensation, benefits (including the re-start of retirement contributions), enrollment growth that has not been funded by the State, and non-salary prices increases totaling $586.3 million, creating a gap of more than $1.2 billion. For 2011-12, even modest projections indicate that UC will face new cost increases of at least $200 million. Fee increases approved by the Regents for 2008-09 through 2010-11 have provided a total of $540.9 million, net of financial aid, to help the University address this budget gap. During 2009-10 and 2010-11, temporary actions such as employee furloughs and debt restructuring provided one-time relief from the budget gap; these solutions are not available in 2011-12. Increases in State funding, as proposed by the Governor and supported by the Legislature for 2010-11, would provide permanent relief totaling $370.4 million. Even if that funding is sustained in the final budget act, the University faces a net budget gap of $237.1 million in 2010-11. In 2011-12, that gap will rise by at least $275 million due to cost increases and the one-time nature of savings from debt restructuring during 2010-11.

Other Initiatives

In addition to the aforementioned cost issues, in a better economic climate, the University would be pursuing a series of initiatives directed toward improving the quality of the University’s instructional, research, and public service programs and the fiscal health of the system. These include:

- **Addressing faculty and staff salary gaps.** As noted earlier, faculty salaries lagged the market by 11.2 percent in 2009-10; there is a similar problem with respect to staff salaries. If the University is to remain competitive in attracting and retaining the best faculty and staff, steps to close these salary gaps must be undertaken. For several years, the Regents have acknowledged this to be one of the University’s highest priorities.

- **Improving the student-faculty ratio.** Consistent with the high priority placed on maintaining the instructional program and preventing further deterioration in the student-faculty ratio, the University’s 2005-06 and 2006-07 budgets included increments of $10 million each year as part of a multi-year effort to recover some of the ground lost in the instructional program during this decade. It is critical that the University return to restoring funding for instruction as quickly as possible.

- **Restoring funding for academic support.** Historically, the State has recognized chronic shortfalls in funding for key areas of the budget that directly affect instructional quality – instructional equipment replacement, instructional technology, libraries, and ongoing building maintenance. The previous two compacts with the Governor proposed an additional 1 percent per year base budget adjustment to help address these shortfalls. The University will seek to reinstate these yearly adjustments when the State’s fiscal situation permits.

- **Augmenting graduate student support.** Graduate education and research at the University have long fueled California’s innovation and economic development, helping establish California as one of the ten largest economies in the world. The Regents have identified securing adequate support for graduate students as one of their highest priorities.

- **Enhancing information technology systems and infrastructure.** The University of California is on the cutting edge of education, research, and development, and yet its
information technology infrastructure is not keeping up. The University must make strategic investments to update its technology infrastructure to better reflect the changing times and its status as the world’s finest public university system.

- **PRIME.** Health workforce projections indicate a strong need in California for increasing the number of physicians educated in this state. Moreover, health disparities among different cultural and socioeconomic groups require that our graduating physicians be better prepared to address the variety of health practices and potential environmental hazards that affect health outcomes. Programs in Medical Education (PRIME) incorporates specific training and curricula designed to address this growing need in California as well as a strong telemedicine component. Midway into its multi-year expansion, funding is needed to support increased cohorts of PRIME medical students at each of the five medical schools.

- **Nursing.** California ranks 50th in the number of nurses per capita. Without significant intervention, California’s nursing shortage will worsen significantly through 2030. UC has developed a plan to expand its traditional graduate role in preparing new nursing faculty and training of advanced practice nurses, as well as development of new undergraduate nursing programs to help meet the state’s nursing shortage. Temporary federal funding to maintain the momentum of this multi-year planned expansion has kept the programs going, but permanent funding must be achieved to retain these gains and continue needed expansion of all UC’s nursing programs.

- **UCR Medical School.** Responding to the state’s need for more physicians in the workforce, the Riverside campus plans to establish a four-year School of Medicine that would be the first new allopathic medical school to open in California in more than 40 years. Core funding is needed to develop academic programs and support the salaries of initial medical school staff and faculty.

- **Addressing capital renewal needs.** Nearly 40 percent of the University’s State-eligible space was constructed between 1955 and 1975. Over the next decade, many of the electrical, HVAC, elevator, and other systems will reach the end of their useful life. The University must begin a long-term commitment to renewal of its capital assets.

**Student Fees**

Recognizing the variety of factors that must be considered and the likelihood that State funds will not be available to fully support the University’s core operating budget, the budget plan proposed for 2011-12 should include an assumption of revenue associated with an additional mandatory student fee increase effective for 2011-12. Even in years in which there is no funding crisis, fee increases are necessary to fund normal cost increases for those programs currently supported from student fee revenue. The current crisis adds to this pressure. The level of fee increase proposed for 2011-12 will need to be weighed against the anticipated shortfalls in funding from State funds, the need to maintain quality as much as possible, as well as the importance of maintaining affordability for students and their families during this fiscal crisis. A proposal for a 2011-12 fee increase will be brought to the Board for approval as part of the action on the budget plan at the November meeting.
Each 1 percent increase in the mandatory systemwide fees during 2011-12 would generate $14.1 million, net of a $7.7 million financial aid set-aside, for the University to address earlier State budget reductions, mandatory cost increases, and other pressing needs. Total actual revenue generated from the fee increase would be $21.8 million. It would be the University’s intention, as it has done in the past, to augment UC financial aid to mitigate the impact of cost increases, including fees, on needy students. Consistent with current practice, an amount equivalent to 33 percent of the revenue generated from the increases for undergraduate students would be set aside to mitigate the impact of the fee increases on financially needy undergraduate students. Consideration is being given to options for dedicating a larger portion of undergraduate return-to-aid to help middle-income students. Of the revenue generated from the graduate academic student increases, 50 percent would be set aside to provide additional funds for financial aid, and 33 percent of the revenue generated from the mandatory systemwide student fee increases (separate and above the Fee for Selected Professional School Students) from students subject to professional degree fees would be set aside for financial aid.

Professional Degree Fees. In addition, it is anticipated the budget plan will call for increases in the Fee for Selected Professional School Students for 2011-12. Increases are needed to help professional schools address inadequate State funding, cost increases, and efforts to sustain and improve quality. Programs use professional degree fees for a variety of purposes, including maintaining student-faculty ratios, recruiting and retaining faculty, improving instructional support and technology, and replacing and upgrading instructional equipment, as well as financial aid. Consistent with Regental policy, campus proposals for professional degree fee increases are subjected to rigorous review, including analysis of comparison school fees, financial accessibility and debt levels, and the impacts of fees on student diversity. The proposed professional degree fee increases will be presented, along with the schools’ three-year plans, for action at the November meeting.
Nonresident Tuition. In addition to mandatory systemwide fees, nonresident students pay supplemental tuition that fully covers the cost of instructional programs for these students. For 2011-12, it will be important to weigh the pros and cons associated with further increases in nonresident tuition. Because nonresident undergraduate students already pay much more in tuition and fees than the subsidy provided by the State for California resident students, and also because of concerns about the effect of tuition levels on the University’s ability to attract nonresident undergraduate students, it is likely that no increase in undergraduate nonresident supplemental tuition will be proposed. Due to continuing concerns about the University’s ability to recruit high-quality graduate students and the need to ensure that the University’s graduate student support packages are competitive with those of other institutions seeking the same high-quality students, no increase in nonresident supplemental tuition for graduate students has been proposed for the last five years. It is anticipated that no proposal for nonresident supplemental tuition increases for graduate students will be made for 2011-12 as well. All nonresident students would experience increases in mandatory systemwide fees similar to those charged to resident students.

Fees at Public Comparison Institutions. When comparing UC’s fees to those at other institutions, total charges (including campus-based fees) must be used to reflect the comparison accurately.

Display 7
2010-11 UC and Public Comparison Institution Fees

- UC’s average fees for resident undergraduate students are below total tuition and fees charged by two of its four comparison institutions (Illinois and Michigan) in 2010-11.
- UC’s average fees for resident graduate academic students are below total tuition and fees charged by three of its four comparison institutions in 2010-11.
- For nonresident undergraduates, UC’s fees are below one of the four comparators (Michigan).
- For nonresident graduate academic students, UC’s fees are below two of the four comparators (Illinois and Michigan).
Display 8
2010-11 UC and Public Comparison Institution Fees

<table>
<thead>
<tr>
<th></th>
<th>Undergraduate Resident</th>
<th>Graduate Resident</th>
<th>Undergraduate Nonresident</th>
<th>Graduate Nonresident</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUNY Buffalo</td>
<td>$7,136</td>
<td>$9,978</td>
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</tr>
<tr>
<td>Illinois</td>
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<td>Michigan</td>
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<td>Virginia</td>
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<tr>
<td>Comparator Average</td>
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<tr>
<td>UC</td>
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</table>

Note: Illinois, Michigan and Virginia figures include tuition and fees as reported by the Association of American Universities Data Exchange (AAUDE); Buffalo figures include tuition and required fees as reported at http://src.buffalo.edu/studentaccount/falltuition.shtml. UC figures include mandatory systemwide fees and campus-based fees, and nonresident tuition for nonresident students. UC figures do not include waivable health insurance fees of $1,048 for undergraduates and $2,031 for graduates.

Fees represent only a portion of the total costs that students must cover, however. Display 9 depicts the average total cost of attendance – including fees, housing, books and supplies, health insurance, and other costs – for undergraduates at UC and its four public comparison institutions.

Display 9
2009-10 Average Total Cost of Attendance for Undergraduate Need-Based Aid Recipients

<table>
<thead>
<tr>
<th></th>
<th>UC</th>
<th>Buffalo</th>
<th>Illinois</th>
<th>Michigan</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost</td>
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<td>$20,613</td>
<td>$25,184</td>
<td>$26,513</td>
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<td>Gift Aid</td>
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<td>$5,935</td>
<td>$7,912</td>
<td>$8,186</td>
<td>$12,813</td>
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<tr>
<td>Net Cost</td>
<td>$11,633</td>
<td>$14,678</td>
<td>$17,272</td>
<td>$18,327</td>
<td>$10,824</td>
</tr>
</tbody>
</table>
In 2009-10, UC’s average total cost of attendance (before financial aid) represents the midpoint among these institutions. However, gift aid (grants and scholarships) significantly reduces costs for financially needy students. As shown in Display 9, after taking gift aid into account, UC’s average net cost for need-based aid recipients in 2009-10 was below the estimated net cost of three of the four comparison institutions. Comparison institution figures for total cost of attendance or net cost for need-based aid recipients in 2010-11 and 2011-12 are unknown at this time.

Financial Aid

As mentioned earlier, it would be the University’s intention, as it has done in the past, to augment UC financial aid to mitigate the impact of cost increases, including fees, on needy students. In recent years, the University has set aside 33 percent of new fee revenue generated from fee increases for undergraduate and graduate professional students for financial aid. For graduate academic students, the University sets aside 50 percent of new fee revenue for financial aid.

UC intends to maintain its commitment to assisting financially needy low- and middle-income students through its strong institutional financial aid program including the Blue and Gold Opportunity Plan. Furthermore, UC will work with the State to ensure that the Cal Grant Program is funded at necessary levels. UC will advocate for increases in Cal Grants to cover any 2011-12 fee increases.

The University plans to maintain UC’s commitment, under the Blue and Gold Opportunity Plan, to ensure that mandatory fees are covered by gift assistance. As noted earlier, the University is currently examining options for extending more assistance to middle-income students as well. In past years, the University has covered one-half of UC’s fee increases for these students (those from families with incomes up to $120,000 in 2010-11).

Capital Planning

At the November meeting, a consolidated Capital Financial Plan that articulates State and non-State capital plans for 2010-2020 for all campuses will be presented to the Regents. The consolidated Plan delineates projects that could be implemented over the next 10 years and that are considered financially feasible at this time. The State-funded portion of the Plan is based on an assumption of General Obligation (GO) bond funding of $450 million per year for general campus projects and $100 million per year for health sciences programs.

However, within the context of the State’s current fiscal situation, there is a great deal of uncertainty regarding the availability of General Obligation (GO) bonds to fund future capital projects. The Legislature has not adopted a bond bill that would be submitted for voter approval. A major consideration is the ability of the State to sustain more debt through bonds. Currently, debt service payments on all bonds represent approximately 6 percent of the State General Fund obligations. It is projected this figure will increase to 9 percent by 2014-15. In lieu of General Obligation bonds, State lease-revenue bonds were provided in 2008-09 and are proposed in 2010-11 to support a limited number of projects (this funding is dependent on the
final budget package still being negotiated at the State level). Because this funding was provided for only a portion of the University’s capital request, there is a serious backlog of critical capital projects at all campuses. In this context, the University will propose as much as $734 million in bond funding for 2011-12. If a GO bond measure is not forthcoming, the University again will seek funding from lease-revenue bonds for a restricted number of projects.