THE UNIVERSITY BUDGET

Process and Issues
November 2007

Today’s Agenda

- Systemwide Budget Process
- Budget Context
- Recent History of University Budget
- Key Budget Issues
UCOP Budget Office Responsibilities

Budget Development

Budget Negotiation

Budget Management

UCOP Budget Office

Budget Development

Governor’s Budget

Legislative Analyst Recommendations

Subcommittee Hearings

Year 1

January

July

Regents Approve Budget Request

President Meets with Department of Finance

UC Drafts Budget Request

Internal Consultation
Internal Budget Consultation

Campus Community → Chancellors/ Campuses → President → Vice Presidents → Regents → Campus Academic Senate Groups → Campus Student Body → Academic Council/UCPB → UC Student Association

The Regents’ Budget

- Published annually in November
- Historical context, major policy issues, specific objectives and priorities
- Budget plan
- Justifications for funding increases
- Detailed functional area descriptions

www.ucop.edu/budget/pubs.html
Budget Negotiation

January

Governor's Budget

Legislative Analyst Recommendations

Subcommittee Hearings

Conference Committee

Senate and Assembly Approve Budget Bill

Year 1

July

UC Drafts Budget Request

President Meets with Department of Finance

Regents Approve Budget Request

Governor's Vetoes and Signature

Negotiating the Budget

President Office of the President

The Governor and Department of Finance

Legislative Budget Committee Members & Staff

Legislative Analyst
Budget Management

January

Year 1

July

President's Preliminary Allocations

Start of Fiscal Year

Budget Management

January

Year 2

July

President's Final Allocations

Fiscal Closing

Campuses Expending Funds
President’s Allocations

- Preliminary allocations to Chancellors in April
- Final allocations in August (or later) after State budget is signed
- Designates funding amounts for various programs and initiatives
- Chancellors maintain a great deal of discretion

1996-97 UC Budget Initiative Changed
Internal Budget Allocations

Decentralization of Authority Can Go Hand-in-Hand with Accountability
Budget Management

January

Year 3

July

Fiscal Closing

Reporting / Accountability for Results

Budget Context

- California Master Plan for Higher Education
  - UC Mission: Teaching, Research, and Public Service
- 10 Campuses, 3 National Laboratories, 5 Teaching Hospitals
- 215,000 students
- 130,000 FTE Employees
- $19 billion in annual expenditures
Sources of Revenue

2007-08 Revenue
(in millions of dollars)

- Clinical Revenue $4,063
- DOE Labs $2,151
- State Appropriations $3,347
- Student Fees $1,574
- UC General Funds $577
- Extramural-Federal $2,329
- Extramural-Other $829
- Extramural-Private $1,144
- Educational & Support Activities $1,020
- Auxiliary Enterprises $817
- Endowments $202
- Other $1,116

History of the Budget

- Cyclical nature of State economy: boom vs. bust
- Last four decades have each begun with downturns followed by moderate or extraordinary growth
- Early 1990s: budget cuts totaling $433 million (20% of State funds)
- Late 1990s: Compact with Governor Wilson and Partnership with Governor Davis
- Dot-com Bust: effectively lost $1.5 billion
- 2005-06-present: Compact with Governor Schwarzenegger
UC Spending Relative to Inflation

Effect of Fiscal Crisis on UC Budget
Change in Funding per Student

<table>
<thead>
<tr>
<th>Year</th>
<th>State General Funds</th>
<th>UC General Funds</th>
<th>Student Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>$15,260</td>
<td>$11,730</td>
<td>$13,710</td>
</tr>
<tr>
<td>1995-96</td>
<td>$2,450</td>
<td>$1,790</td>
<td>$1,710</td>
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<tr>
<td>2000-01</td>
<td>$15,590</td>
<td>$13,750</td>
<td>$1,750</td>
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<tr>
<td>2006-07</td>
<td>$5,090</td>
<td>$9,970</td>
<td>$1,970</td>
</tr>
</tbody>
</table>

Cost of Education (in 2006-07 Dollars)

Funding Gap = $2,470

The Higher Education Compact with Governor Schwarzenegger

- Ended four years of budget cuts
- Base budget increases for compensation and non-salary price increases of 3% during 2005-06 and 2006-07 and 4% during 2007-08 through 2010-11
- Additional 1% adjustments for core academic support during 2008-09 through 2010-11
- Enrollment growth of approximately 5,000 students annually (2.5% growth)
- Additional resources and initiatives as State’s fiscal condition allows
- Supports bond financing of at least $345 million per year for capital outlay
- Requires accountability from University with respect to quality, student outcomes, and utilization of resources.
- More information: www.ucop.edu/budget/hecompact.html
Key Budget Issues

- Competitiveness of faculty and staff salaries
- Student-faculty ratio
- Retirement contributions
- Enrollment growth and graduate enrollment
- Student fees and student financial support
- Research funding
- Capital Outlay
- Operation and Maintenance of Plant

Faculty Salaries Lag the Market

![Faculty Salaries Lag the Market Chart](Source: Office of the President Salary Survey)
Accelerated Four-year Salary Plan

Faculty salaries as a percentage of market:
- 1997-98: 90%
- 1999-00: 95%
- 2001-02: 100%
- 2003-04: 105%
- 2005-06: 110%
- 2007-08: 120%
- 2009-10: 130%
- 2011-12: 140%
- 2013-14: 150%
- 2015-16: 160%

Staff Salaries Also Lag the Market

% Increase in Funding for Staff Salaries:
- UC Staff Salary Increase Funding
- Market - Western Region

Source: WorldatWork, "Annual Salary Budget Survey"
Student-Faculty Ratio Cuts

- 1966-67: 13.0
- 1971-72: 15.0
- 1976-77: 17.0
- 1981-82: 19.0
- 1986-87: 21.0

Student-faculty Ratio

Governor's Proposed Cuts
Regents' Goal 17.6:1

Retirement Contributions

- 19.1% rate of return during fiscal year
- Plan currently funded at 104%
- Neither UC nor its employees nor the State of California has been required to contribute to toward the cost of the pension benefits for 17 years
- Reinstatement of contributions may begin in 2009-10
- Concern about costs to research grants, medical centers and auxiliary enterprises
Undergraduate Enrollment Growth


Number of Undergraduate Students Including Summer

Source: UCOP Budget Office

HS Graduate Growth Peaks in 2008


Year of Graduation (June)

Source: State of California Department of Finance

Actual

Projected
Decline in Proportion Graduate

Student Fee Increases Over Time
Fees Remain Below Comparators

| University of California and Public Salary Comparison Institutions | Undergraduate | | Graduate | |
|---|---|---|---|---|---|---|
| | Resident | Nonresident | Resident | Nonresident | |
| Public Comparison Institutions | | | | |
| University of Illinois | $9,522 | $23,608 | $10,152 | $22,992 | |
| University at Buffalo (SUNY) | $6,129 | $12,389 | $9,448 | $13,468 | |
| University of Virginia | $8,043 | $26,143 | $10,560 | $20,560 | |
| University of Michigan | $9,723 | $29,131 | $14,991 | $30,137 | |
| Average of Comparison Institutions | $8,354 | $22,818 | $11,288 | $21,789 | |
| 2006-07 Average UC Fees | $8,652 | $25,536 | $8,938 | $23,899 | |

* Includes mandatory systemwide fees and campus-based fees, and nonresident tuition for nonresident students.

Gift Aid Has Increased to $1.2 Billion
UC Remains Accessible

- Percent of Students Who Receive Pell Grants (2005-06)
- Selected Flagship Public Universities
- University of California
- California Research Universities

Research

- Availability of Federal Funds
- State support for Research
Capital Outlay

- **Past priorities:**
  - New facilities
  - Seismic upgrades
- **Future priorities:**
  - Facilities renewal
  - Continuing seismic upgrades

Annual Capital Outlay
Funding Needs

UC Needs More Than $800 Million per Year through 2012