



The University Budget

Mike Clune
Systemwide Budget Office
October 2008

6/2/08

The University of California

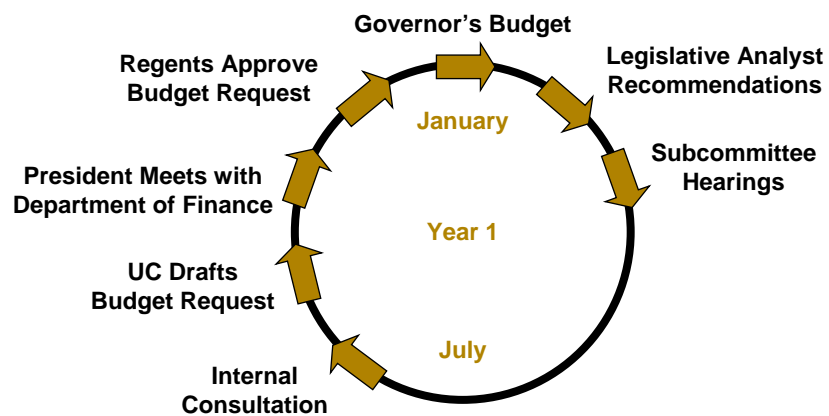
Today's Agenda

- Systemwide Budget Process
- Budget Context
- Recent History of the Budget
- Key Budget Issues

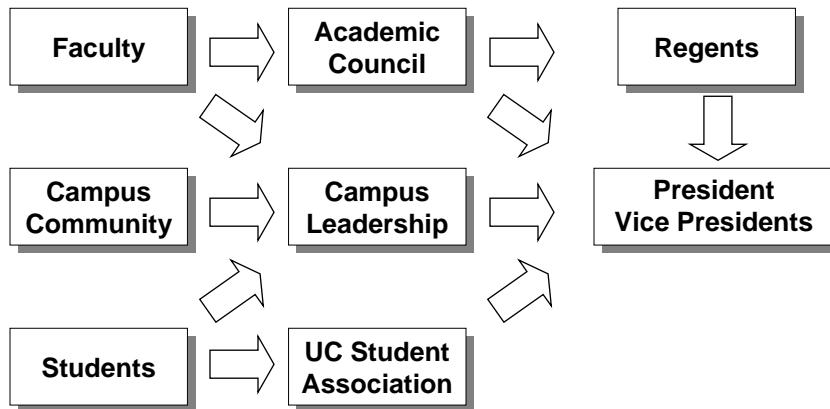
Budget Office Mission

- Budget Development
- Budget Negotiation
- Budget Management

Budget Development



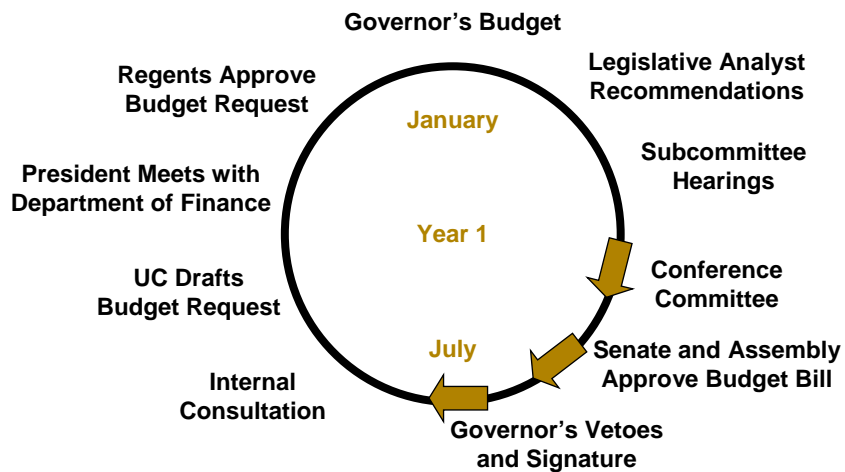
Internal Budget Consultation



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

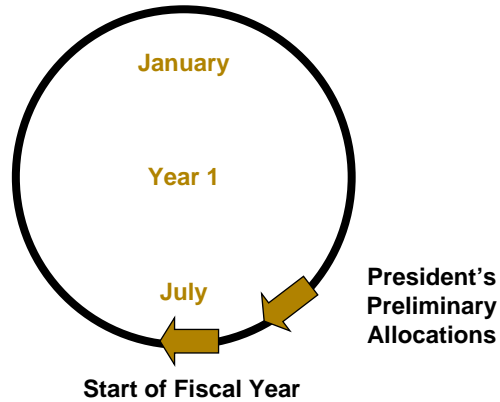
Budget Negotiation



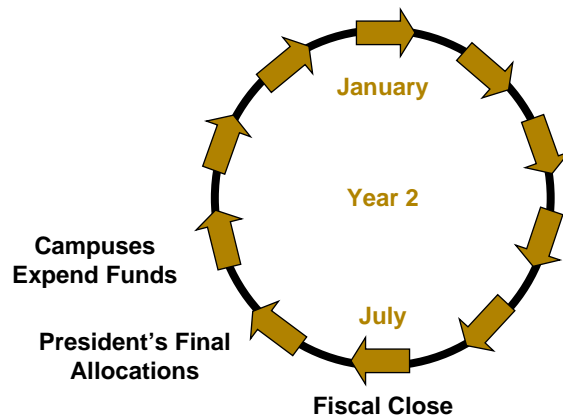
Negotiating the Budget

- The Governor and Department of Finance
- Legislative Subcommittee Members & Staff
- Legislative Analyst

Budget Management



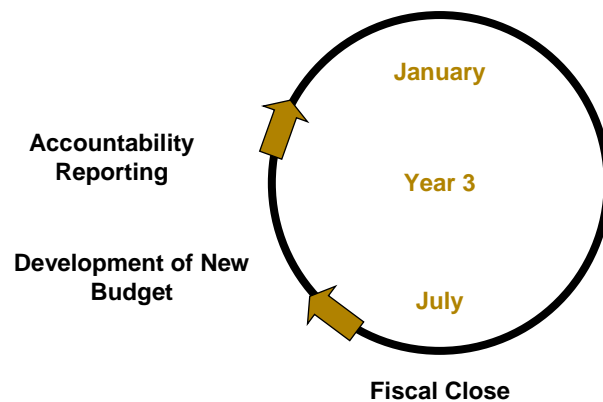
Budget Management



President's Allocations

- Preliminary allocations to Chancellors during spring
- Final allocations in late summer after State budget is signed
- Designates funding amounts for various programs and initiatives
- Changes in mid-1990s gave Chancellors a great deal of discretion

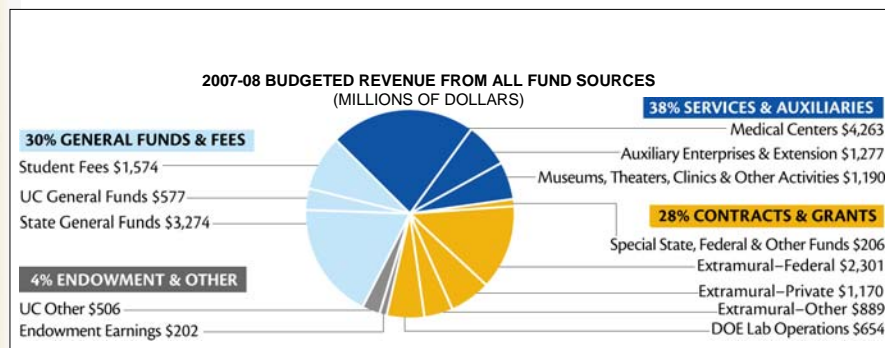
Budget Management



Budget Context

- California Master Plan for Higher Education
 - UC Mission: Teaching, Research, and Public Service
- 10 Campuses, 3 National Laboratories, and 5 Teaching Hospitals
- 220,000 students
- 130,000 FTE Employees
- \$19 billion in annual expenditures

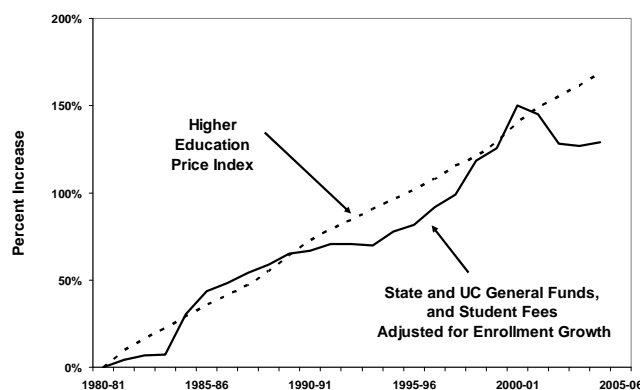
Sources of Revenue



History of the Budget

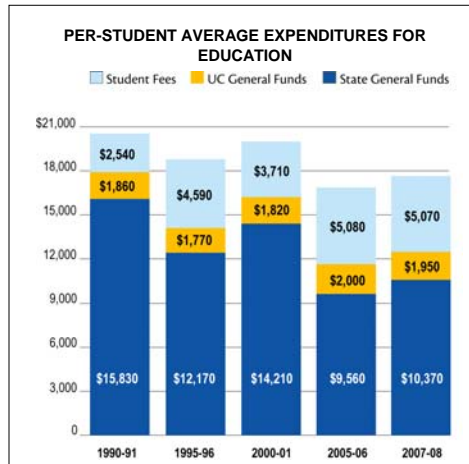
- Cyclical nature of State economy: Boom vs. bust
- Last four decades have each begun with downturns followed by growth
- Early 1990s: Cuts totaling \$433 million (20%)
- Late 1990s: Compact with Governor Wilson and Partnership with Governor Davis
- Dot-com Bust: Effectively lost \$1.5 billion
- 2005-06: New Compact with Governor

Spending Relative to Inflation



Source: UCOP Budget Office

Change in Funding per Student



The Higher Education Compact

- Ended four years of budget cuts
- Base budget increases of 3% during 2005-06 and 2006-07 and 4% during 2007-08 through 2010-11
- Additional 1% adjustments during 2008-09 through 2010-11
- Enrollment growth of ~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
- More information: www.ucop.edu/budget/hecompact.html

Recent State Funding

- 2006-07:
 - Additional State funding allowed UC to avoid student fee increases
- 2007-08:
 - State funding grew 6.4%, while total State budget grew by only 0.5%

2008-09 Budget

- Governor first funded the Compact, but then assigned 10% cut equal to \$332 million
- \$417 million gap between Regents' priorities and Governor's proposal
- Reduction in State funding eliminated in May Revise; no net new funding
- Decision made to admit students, but without funding, UC will halt growth in the future
- Campuses facing significant cuts to address mandatory cost increases

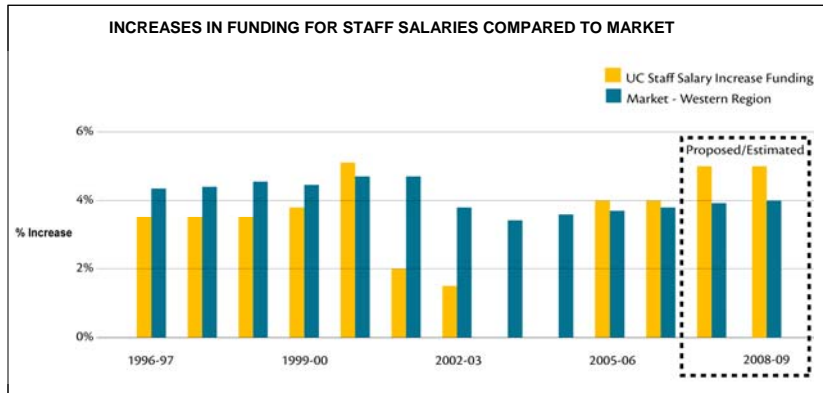
Key Budget Issues

- 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

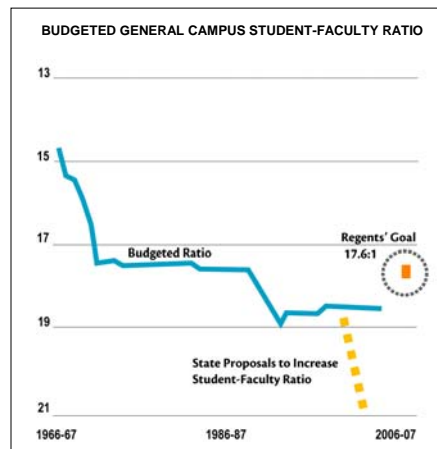


Staff Salaries Also Lag



Student-Faculty Ratio Cuts

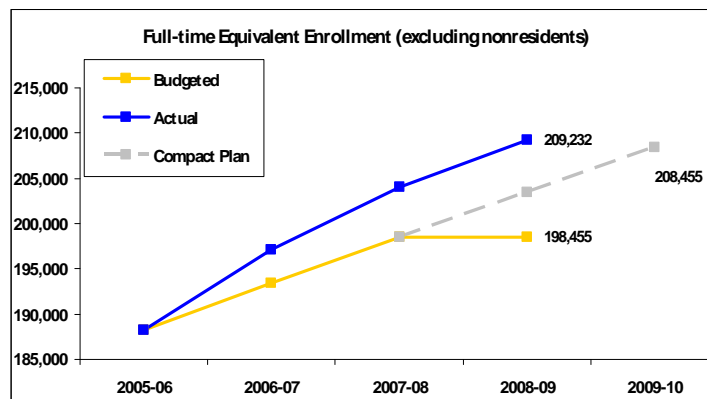
- State cuts totaling \$70 million targeted at the student-faculty ratio were instead taken as unallocated reductions.
- Over the last three years, the University has restored a total of \$30 million.
- Long-term goal: Reduce ratio from current level of 18.7:1 to 17.6:1



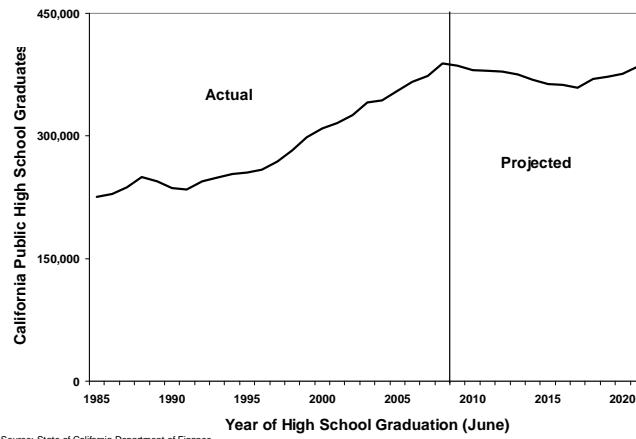
Retirement Contributions

- Declining ratio of asset value relative to liability
- Plan funded at ~105% as of June 2007
- No contributions required for 18 years from UC, employees, or the State
- Restart of contributions on July 1, 2009, subject to bargaining
- Concern about costs to research grants, medical centers, and auxiliary enterprises

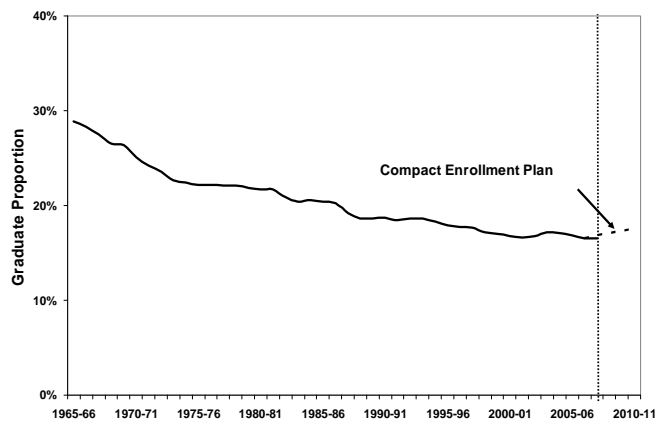
Enrollment Growth



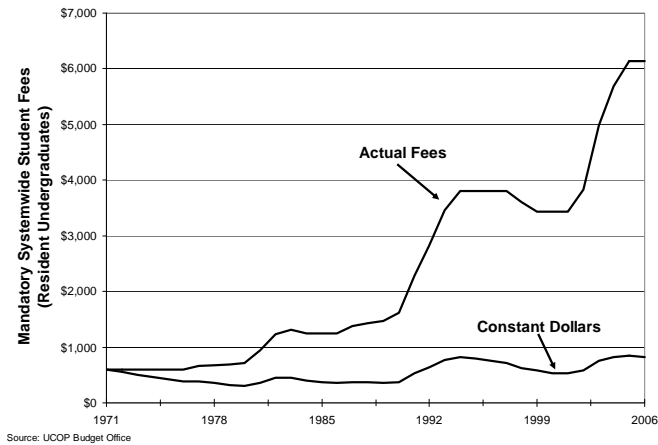
Peak in High School Graduates



Decline in Graduate Enrollment



Student Fee Increases



Fees Remain Below Peers

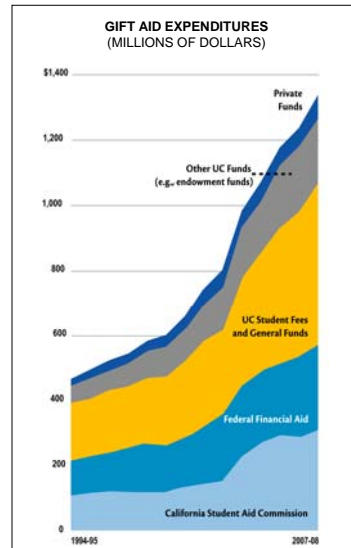
	UNDERGRADUATE		GRADUATE	
	RESIDENT	NONRESIDENT	RESIDENT	NONRESIDENT
UNIVERSITY OF CALIFORNIA AND PUBLIC COMPARISON INSTITUTION FEES 2007-08 TOTAL STUDENT FEES *				
Public Comparison Institutions				
University at Buffalo (SUNY)	\$6,217	\$12,477	\$8,289	\$12,309
University of Illinois	\$11,130	\$25,216	\$11,216	\$24,056
University of Michigan	\$11,111	\$32,400	\$15,747	\$31,657
University of Virginia	\$8,690	\$27,940	\$11,240	\$21,240
Average	\$9,287	\$24,508	\$11,623	\$22,316
University of California	\$7,517	\$27,137	\$9,775	\$24,763

* Includes mandatory systemwide fees and campus-based fees, and nonresident tuition for nonresident UC students. Also includes a waivable health insurance fee for UC graduate students.

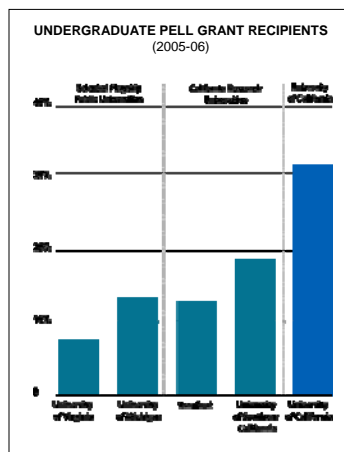
- Resident fees remain below average of UC's public comparison institutions.
- Even with recent increases, UC fees remain competitive.
- 2008-09 fee increases:
 - Mandatory fees 7.4%
 - UG nonresident tuition 5%
 - Professional fees 6-18%

Gift Aid Exceeds \$1.2 Billion

- Total gift aid is projected to exceed \$1.3 billion in 2007-08.
- 54% of undergraduates received gift aid averaging about \$9,700 per student during 2006-07.
- 58% of graduate students received gift aid averaging about \$13,000 per student.



UC Remains Accessible



- UC has a very high proportion of federal Pell Grant recipients: around 30% -- more than any comparable public or private institution.
- At UCLA alone, nearly 40% of undergraduates are low-income students.

Research

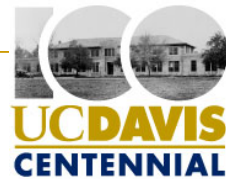
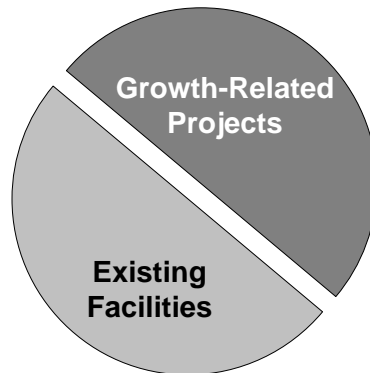
- Availability of Federal funds
- State support for research

Capital Outlay

- Past priorities:
 - New facilities for enrollment growth
 - Seismic upgrades
- Future priorities:
 - Facilities renewal
 - Continuing seismic upgrades

Capital Outlay Needs

UC needs more than \$1 billion per year



A Campus Perspective

Kelly Ratliff

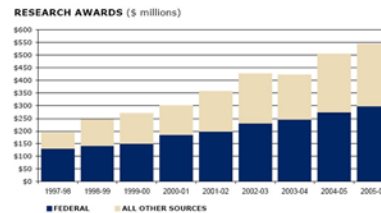
UC Davis

Topics

- Key concepts for campus managers
- Planning for 2008-09

Key Concept: There are two primary types of budgets

OPERATING BUDGET



CAPITAL BUDGET

Key Concept: Funds can be either on-going or one-time

Permanent Budget (on-going or base)

- Incremental budget approach
- Base level of recurring resources for faculty and staff salaries, S&E, etc.
- General funds, student fees

Temporary Budget (One-time)

- Annual allocations or unspent funds from prior year
- Funds used once
- Dept budget includes base + one-time allocations

Key Concept: Not all money is green and Budget Authority varies

Core Funds

- State General Funds
- Tuition and fees
- Indirect Costs

Budget = authority to spend

Other Funds

- Sales and Services Revenue
- Auxiliary
- Hospital

Budget = actual revenue generated

Extramural Funds

- Contracts and Grants
 - Federal
 - State
 - Local
- Private

Budget set by agency

Key Concept: Every campus is different

- **Revenue sources vary for each campus**
 - Medical Centers: D, I, LA, SD, SF
 - Many variables: Revenue sources, enrollment, programs, geography, age, etc..
- **Each school, college, division has unique circumstances, fund sources and challenges**
 - See above
- **Goal is to identify shared opportunities and consistent business processes**

2008-09 Budget Overview

State Budget for UC essentially flat

Question: Why did we have to make cuts?

Answer: Any new costs in 2008-09 have to be funded by the campus (University) so must cut in one area and re-allocate to cover higher costs.

Why cut? Fixed Cost Increases (\$14 million):

1. Salary continuation costs (October 1, 2007 actions)
\$4.4 million
2. Faculty Merits and Promotions for 2008-09
\$3.5 million
3. Benefits costs for health and dental (employer share)
\$5.1 million
4. Non-senate faculty negotiated increases
\$1.0 million

Why cut? Purchased Utilities (\$10 million)

Annual deficits for each of last 7 years.

Why?

- Commodity price increases (energy crisis in 2000, Hurricane Katrina, market conditions)
- Growth during period with no new funding or inadequate funding

What about other solutions?

- Many examples, but not enough in short-term to close gap.



Why cut? Priorities, Contingency (\$4.2 million)

- Graduate student support \$1.1 million
- Contingency \$2 million
- Systemwide (UC Merced, PRIME) \$1.1 million

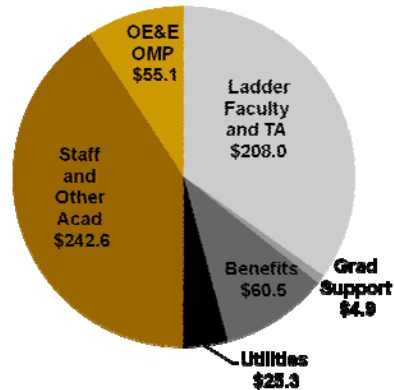
GRAND TOTAL = \$28.2 million

- ~5% of total general fund budget at UC Davis

UC Davis approach Budget Reduction Targets

Budget reductions totaling \$16.8M

- Administration cut 7%
- Library 3%
- Academic units cut 2.5%
- Exemptions
 - Central benefits
 - Academic preparation
 - Graduate student support
 - Purchased Utilities



UC Davis approach continued

Use Educational Fees to offset cuts = \$6.8 million
(units must absorb costs of enrollment growth)

Use one-time savings and one-time sources to offset
balance of cuts (\$4.6 million)

Immediately shift focus to planning for 2009-10

Communication is key

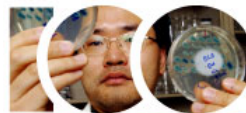
- Budget News webpage
- Smart Site (online tool to collect ideas from faculty, staff, students)
- Staff forums
- Provost communication



Questions???



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