



# The University Budget

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Systemwide Budget Office  
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6/2/08

The University of California

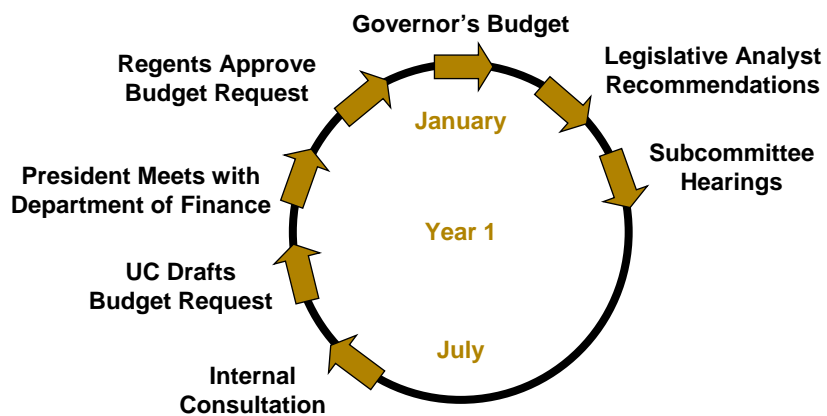
## Today's Agenda

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

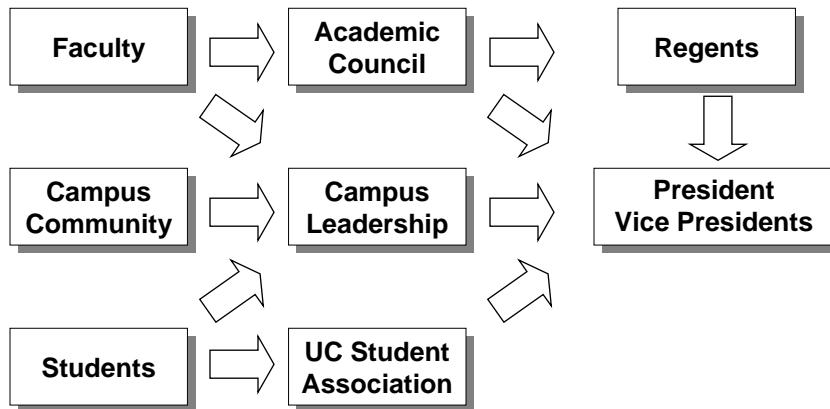
## Budget Office Mission

- Budget Development
- Budget Negotiation
- Budget Management

## Budget Development



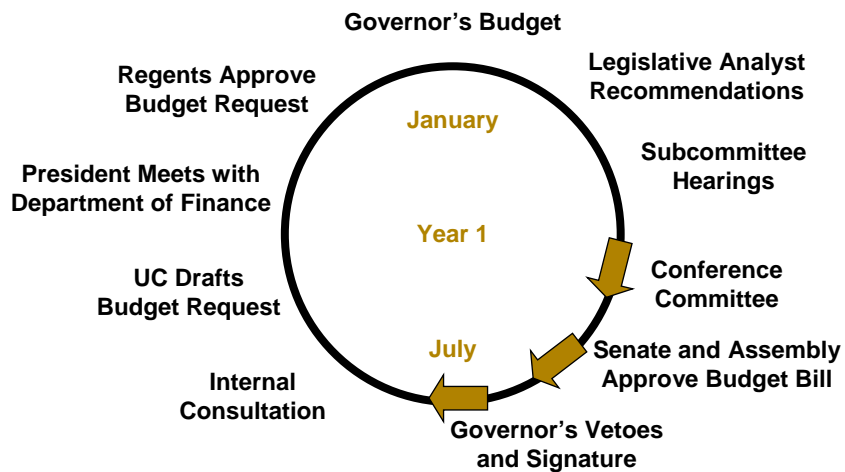
## Internal Budget Consultation



## 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](http://www.ucop.edu/budget/pubs.html)

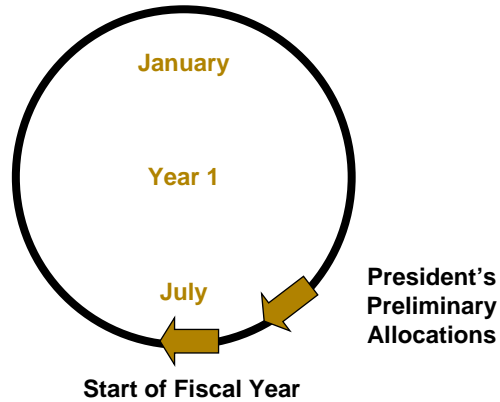
## Budget Negotiation



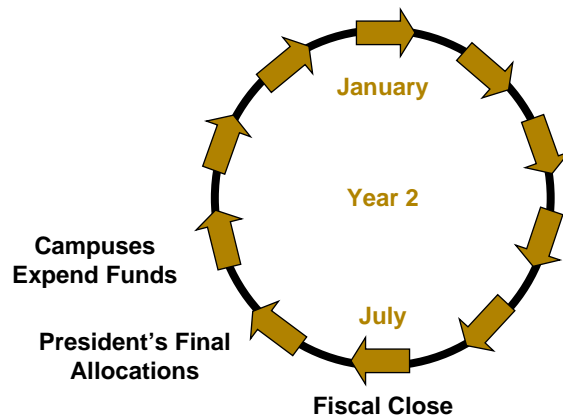
## Negotiating the Budget

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

# Budget Management



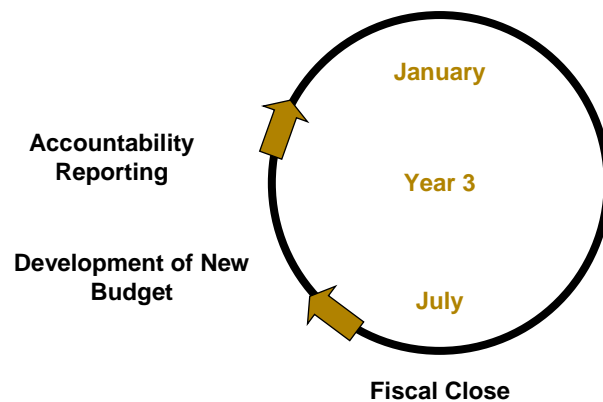
# Budget Management



## 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

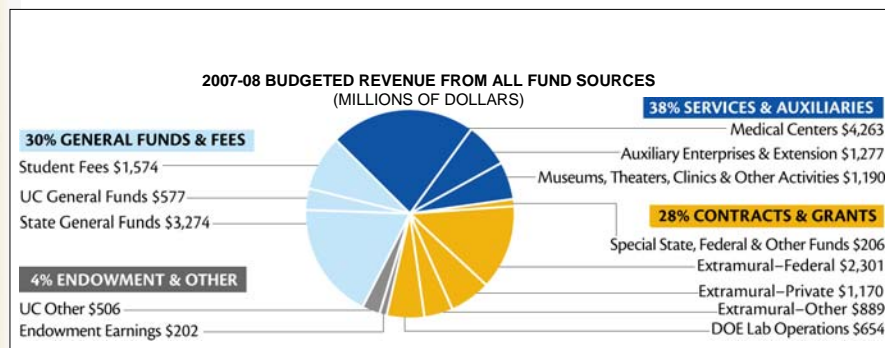
## Budget Management



## 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

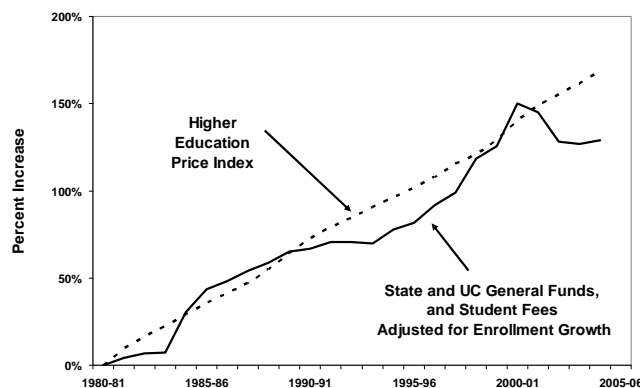
## Sources of Revenue



## History of the Budget

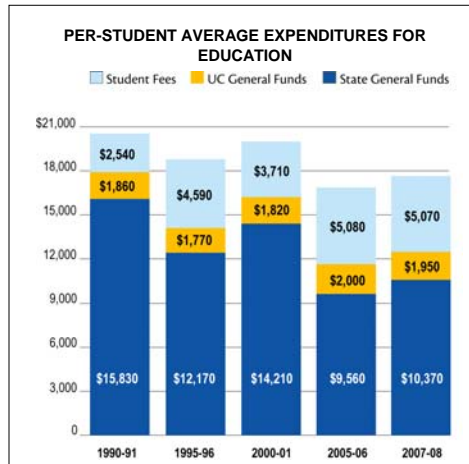
- Cyclical nature of State economy: Boom vs. bust
- Last four decades have each begun with downturns followed by growth
- Early 1990s: Cuts totaling \$433 million (20%)
- Late 1990s: Compact with Governor Wilson and Partnership with Governor Davis
- Dot-com Bust: Effectively lost \$1.5 billion
- 2005-06: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

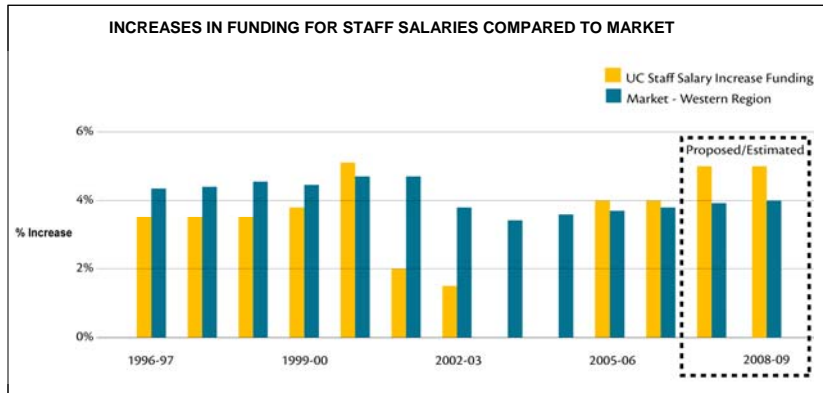
## Key Budget Issues

- 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

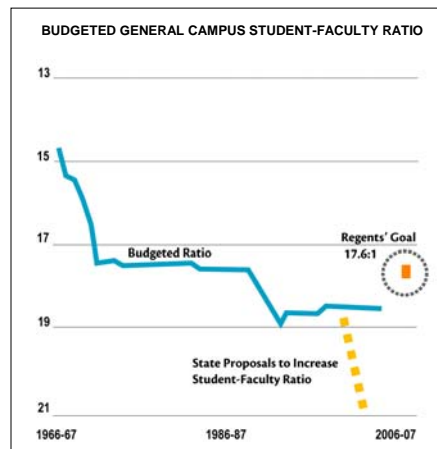


## Staff Salaries Also Lag



## Student-Faculty Ratio Cuts

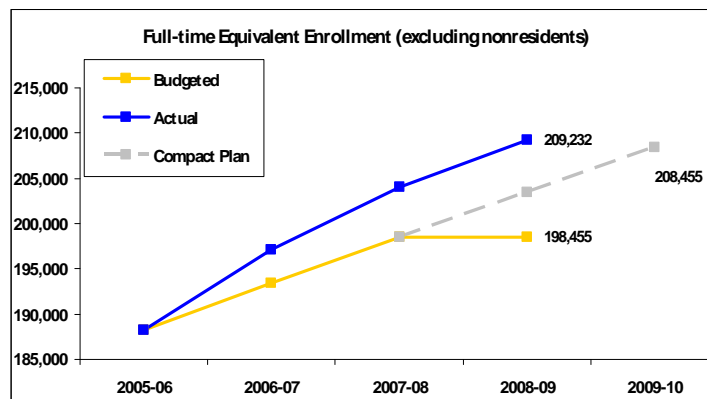
- State cuts totaling \$70 million targeted at the student-faculty ratio were instead taken as unallocated reductions.
- Over the last three years, the University has restored a total of \$30 million.
- Long-term goal: Reduce ratio from current level of 18.7:1 to 17.6:1



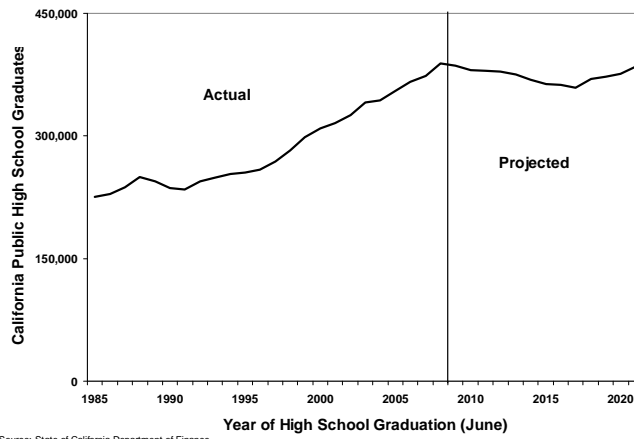
## Retirement Contributions

- 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

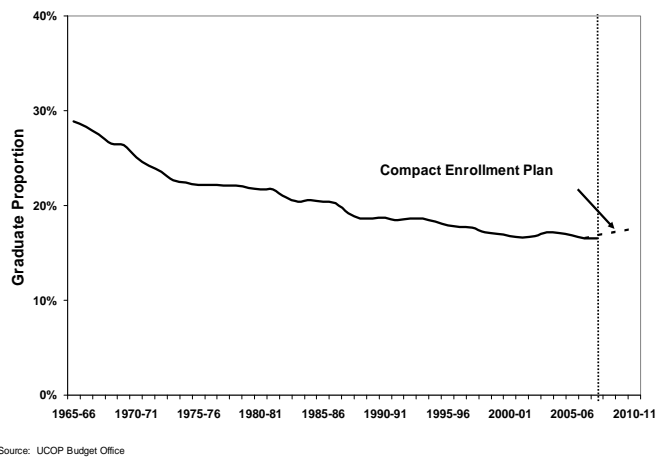
## Enrollment Growth



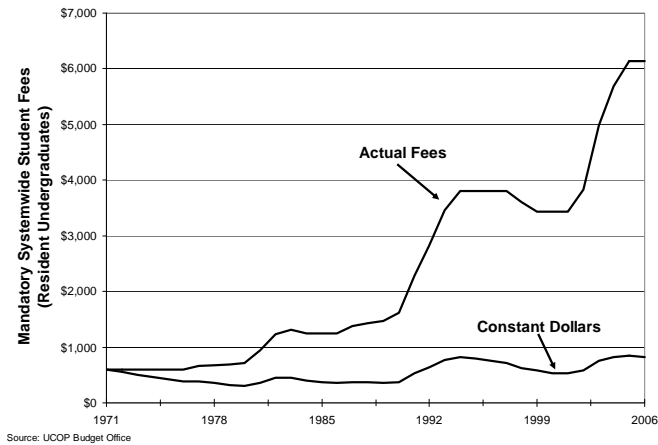
## Peak in High School Graduates



## Decline in Graduate Enrollment



## Student Fee Increases



## Fees Remain Below Peers

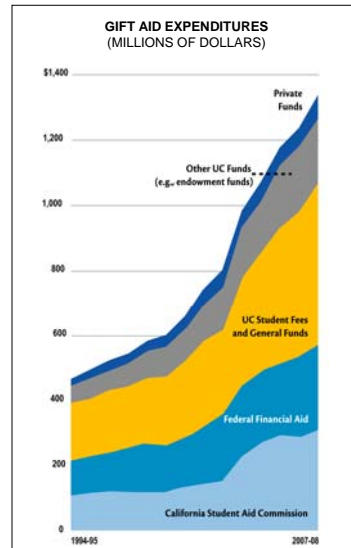
	UNDERGRADUATE		GRADUATE	
	RESIDENT	NONRESIDENT	RESIDENT	NONRESIDENT
<b>UNIVERSITY OF CALIFORNIA AND PUBLIC COMPARISON INSTITUTION FEES 2007-08 TOTAL STUDENT FEES *</b>				
<b>Public Comparison Institutions</b>				
University at Buffalo (SUNY)	\$6,217	\$12,477	\$8,289	\$12,309
University of Illinois	\$11,130	\$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
<b>University of California</b>	<b>\$7,517</b>	<b>\$27,137</b>	<b>\$9,775</b>	<b>\$24,763</b>

\* 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.

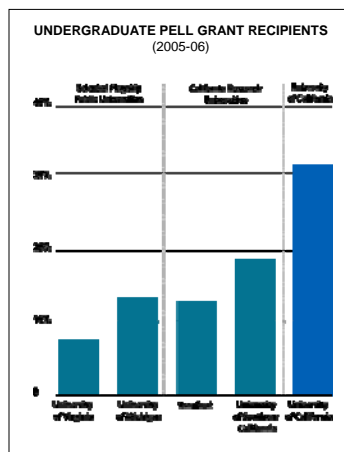
- Resident fees remain below average of UC's public comparison institutions.
- Even with recent increases, UC fees remain competitive.
- 2008-09 fee increases:
  - Mandatory fees 7.4%
  - UG nonresident tuition 5%
  - Professional fees 6-18%

## 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

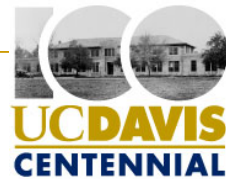
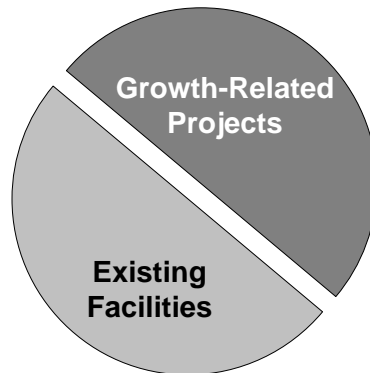
- Availability of Federal funds
- State support for research

## 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**

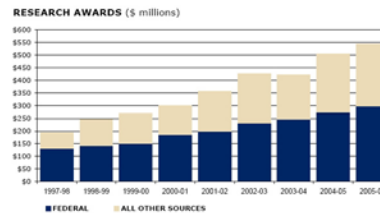
**UC Davis**

### 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

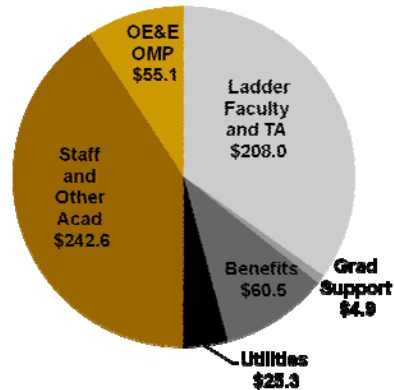
**GRAND TOTAL = \$28.2 million**

- ~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

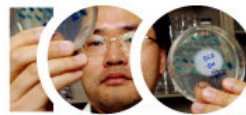
- Budget News webpage
- Smart Site (online tool to collect ideas from faculty, staff, students)
- Staff forums
- Provost communication



## Questions???



**UC DAVIS**  
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