The University Budget

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UCOP Budget and Capital Resources
November 2009
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

Year 1

January

Governor’s Budget

Regents Approve Budget Request

President Meets with Department of Finance

UC Drafts Budget Request

Internal Consultation

July

Legislative Analyst Recommendations

Subcommittee Hearings

Business Officer Institute
The University of California

Business Officer Institute

Internal Budget Consultation

Faculty → Academic Council → Regents

Campus Community → Campus Leadership → President

Students → UC Student Association → Vice Presidents
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

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Internal Consultation

Year 1

Legislative Analyst Recommendations

Subcommittee Hearings

Conference Committee

Senate and Assembly Approve Budget Bill

Governor’s Vetoes and Signature

July
Negotiating the Budget

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

Year 1

January

July

Start of Fiscal Year

President’s Preliminary Allocations
Budget Management

The University of California
Business Officer Institute

January
Year 2
July
Fiscal Close

Campuses Expend Funds
President’s Final Allocations
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

January

Accountability Reporting

Year 3

Development of New Budget

July

Fiscal Close
Budget Context

• California Master Plan for Higher Education
  – UC Mission: Teaching, Research, and Public Service
• 10 Campuses, 3 National Laboratories, and 5 Teaching Hospitals
• 230,000 students
• 130,000 FTE Employees
• $20 billion in annual expenditures
Sources of Revenue
2009-10 PROJECTED EXPENDITURES FROM ALL FUND SOURCES
(MILLIONS OF DOLLARS)

- 45% Sales, Services & Auxiliaries
  - Medical Centers $5,20
  - Auxiliaries & Extension $1,55
  - Clinics & Other Activities $1,82
  - Extramural Activities $50

- 18% Governor Contracts & Grants
  - State Special & Extramural $35
  - Federal Appropriations & Extramural $2,47
  - DOE Laboratory Operations $67

- 26% Core Fund
  - Student Fees $2,00

- 8% Private Support
  - Endowment Earnings $19
  - Private Gifts, Contracts and Grants $1,35

- 6% UC General Funds
  - $626

- 3% Other Source
  - Other $61

- 2% State General Funds
  - $2,63
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
Core Funds Per Student

RELATIVE TO INFLATION AS MEASURED BY THE HIGHER EDUCATION PRICE INDEX

- State Funds
- Core Funds
- HEPI

Change in Funding per Student

PER-STUDENT AVERAGE EXPENDITURES FOR EDUCATION, ADJUSTED FOR INFLATION

- State General Funds
- UC General Funds
- Student Fees

<table>
<thead>
<tr>
<th>Year</th>
<th>State General Funds</th>
<th>UC General Funds</th>
<th>Student Fees</th>
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<tr>
<td>1990-91</td>
<td>$16,430</td>
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<tr>
<td>2009-10</td>
<td>$16,430</td>
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</tr>
</tbody>
</table>
Recent History

- **2005-06 through 2007-08:**
  - 3% base budget increases during 2005-06 and 2006-07 and 4% during 2007-08
  - Enrollment growth of ~5,000 students annually (2.5% growth)
  - Additional funding to avoid student fee increases in 2006-07

- **2008-09 and 2009-10:**
  - State fiscal crisis results in unprecedented cuts for UC
  - ARRA funding provides temporary relief
2009-10 Budget

- $637 million in State funding reductions
- Mandatory cost increases
- 9.3% fee increases in May
- Salary reduction / furlough plan
- Debt restructuring
- Mid-year fee 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
The University of California

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Faculty Salaries Lag the Market

FACULTY SALARIES AS A PERCENTAGE OF MARKET

- Actual
- Desired Level
- Projected

100%
90%
80%

1997-98 2001-02 2005-06 2009-10
Staff Salaries Also Lag the Market

Increases in funding for staff salaries compared to market:
- UC Staff Salary Increase Funding
- Market - Western Region

![Bar graph showing percentage increase in staff salaries from 1997-98 to 2009-10, with projected data for 2009-10.](attachment:image.png)
Student-Faculty Ratio Cuts

BUDGETED GENERAL CAMPUS STUDENT-FACULTY RATIO

- Budgeted Ratio
- Regents' Goal: 17:1
- State Proposals to Increase Ratio

Year:
- 1966-67
- 1976-77
- 1986-87
- 1996-97
- 2006-07
Retirement Contributions

• No contributions required for 19 years from UC, employees, or the State
• Declining ratio of asset value relative to liability
• Plan funded at ~105% as of June 2007
• Restart of contributions on August 15, 2010
  – Employer contributions 4%
  – Employee contributions 2% (redirection of DCP)
State-supported Enrollment

- State-Funded Target
- Current Trajectory
- Actual Enrollment
- Proposed Trajectory

Year: 2004-05 to 2013-14
California High School Graduates

Source: State of California Department of Finance
The University of California

Student Fee Increases

- Actual
- Inflation-Adjusted

$10,000
$7,500
$5,000
$2,500
$0

Fees Remain Below Peers

UNIVERSITY OF CALIFORNIA AND PUBLIC COMPARISON INSTITUTION FEES

- SUNY Buffalo
- Virginia
- Illinois
- Comparator Average
- Michigan
- UC Proposed

$20,000
$15,000
$10,000
$5,000
$0

Undergraduate Resident
Graduate Resident
Gift Aid Exceeds $1.6 Billion
(BILLIONS OF DOLLARS)
UC Remains Accessible

UNDERGRADUATE PELL GRANT RECIPIENTS
(2007-08)

Selected Public Flagship Institutions | California Research Universities

Virginia | Michigan | Stanford | USC | UC
Research

TRENDS IN SOURCES OF RESEARCH SUPPORT

- State
- Federal
- Private

1998-99  2003-04  2008-09
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