The University Budget

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Director
Capital Resources and Budget
Office of the President

November 2010
Today’s Discussion

• Systemwide Budget Process
• Recent History of the Budget
• Key Budget Issues
Budget Office Mission

• Budget Development

• Budget Negotiation

• Budget Management
Budget Development

- UC Drafts Budget Request
- President Meets with Department of Finance
- Regents Approve Budget Request
- Governor’s Budget
- Legislative Analyst Recommendations
- Subcommittee Hearings
- Internal Consultation

Year 1
January
July
The University of California

**Business Officer Institute**

# Budget Negotiation

- **January**
  - Governor’s Budget
  - Legislative Analyst Recommendations
  - Subcommittee Hearings
  - Conference Committee

- **July**
  - Senate and Assembly Approve Budget Bill

- **Year 1**
  - UC Drafts Budget Request
  - Internal Consultation
  - President Meets with Department of Finance

- **Regents Approve Budget Request**

- **Governor’s Vetoes and Signature**
Budget Management

January

Year 1

July

President’s Preliminary Allocations

Start of Fiscal Year
Budget Management

January

Campuses
Expend Funds

Year 2

July

President’s Final
Allocations

Fiscal Close
Budget Management

- Accountability Reporting
- Development of New Budget
- Fiscal Close
- January
- Year 3
- July
Internal Budget Consultation

Faculty → Academic Council → Regents

Campus Community → Campus Leadership → President Vice Presidents

Students → 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
Negotiating the Budget

- The Governor and Department of Finance
- Legislative Subcommittee Members & Staff
- Legislative Analyst
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
2010-11 Sources of Funds

Dollars in millions.

- **44% Sales, Services & Auxiliaries**
  - Medical Centers $5,521
  - Auxiliaries & Extension $1,646
  - Clinics & Other Activities $1,971
  - Extramural Activities $478

- **3% Other Sources**
  - Extramural Activities $478
  - DOE Laboratory Operations $740

- **17% Government Contracts & Grants**
  - ARRA Funds $106
  - Student Fees $2,566
  - UC General Funds $717

- **29% Core Funds**
  - State General Funds $2,913
  - ARRA Funds $106
  - UC General Funds $717

- **7% Private Support**
  - Endowment Earnings $191
  - Private Gifts, Contracts and Grants $1,392

- **State General Funds**
  - Medical Centers $5,521
  - Auxiliaries & Extension $1,646
  - Clinics & Other Activities $1,971
  - Extramural Activities $478

- **Other**
  - Extramural Activities $478
  - DOE Laboratory Operations $740

- **Other**
  - ARRA Funds $106
  - Student Fees $2,566
  - UC General Funds $717

- **Private Support**
  - Endowment Earnings $191
  - Private Gifts, Contracts and Grants $1,392
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
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%)
  – 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

- State General Fund Reduction, $637.1M
- Mandatory Costs, $368M
- Furloughs, $184M
- Earlier Fee Increases, $210.8M
- Midyear Fee Increases, $66.6M
- Budget Cuts, $468.7M
- Debt Restructuring, $75M
The University of California

2010-11 Budget

- State General Fund Reduction, $637.1M
- Mandatory Costs, $368M
- Additional Mandatory Costs, $218.3M
- One-time ARRA Funds, $106M
- Additional State Funding, $65.4M
- State Funding Restoration, $199M
- November 2009 Fee Increases, $330.1M
- Earlier Fee Increases, $210.8M
- Debt Restructuring, $75M
- Budget Cuts, $237.1M

Total: $0
Core Funds Per Student

Relative to Inflation as Measured by the Higher Education Price Index

- State Funds
- Core Funds
- HEPI

Year:
- 1980-81
- 1990-91
- 2000-01
- 2010-11
Change in Funding per Student
Per-student Average Expenditures for Education, Adjusted for Inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>Student Fees</th>
<th>UC General Funds</th>
<th>State General Funds</th>
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</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>$16,720</td>
<td>$4,850</td>
<td>$5,370</td>
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<tr>
<td>1995-96</td>
<td>$12,860</td>
<td>$1,920</td>
<td>$2,140</td>
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<td>2000-01</td>
<td>$15,020</td>
<td>$1,880</td>
<td>$10,100</td>
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<td>2005-06</td>
<td>$15,020</td>
<td>$1,920</td>
<td>$8,220</td>
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<tr>
<td>2010-11</td>
<td>$16,720</td>
<td>$1,920</td>
<td>$7,230</td>
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$0 $5,000 $10,000 $15,000 $20,000

Key Budget Issues

- Competitiveness of faculty and staff salaries
- Student-faculty ratio
- Retirement contributions and retiree health
- 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 as a Percentage of Market
Staff Salaries Also Lag the Market

Increases in Funding for Staff Salaries Compared to Market

UC Staff Salary Increase Funding
Market - Western Region
Student-Faculty Ratio Cuts

Budgeted General Campus Student-Faculty Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Budgeted Ratio</th>
<th>Regents' Goal</th>
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<tbody>
<tr>
<td>1966-67</td>
<td>13</td>
<td>17.6:1</td>
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<tr>
<td>1976-77</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>1986-87</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>1996-97</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>21</td>
<td></td>
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State Proposals to Increase Ratio
Retirement Contributions

- No contributions for 19 years
- Funded status of plan has declined to 87%
- No funding yet provided by the State

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
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<tbody>
<tr>
<td>Employer</td>
<td>4%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Employee</td>
<td>2%</td>
<td>3.5%</td>
<td>5%</td>
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</tbody>
</table>
Retiree Health Benefits

- Pay-as-you-go system
- Rising numbers of retirees
- Rising health care costs
- Unfunded liability: $14.9 billion
- State has contributed to support costs in recent years
State-supported Enrollment

- Actual Enrollment
- Proposed Trajectory
- Budget Target


Enrollment Levels:
- 180,000
- 190,000
- 200,000
- 210,000
- 220,000
Graduate Enrollment Proportion

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BUSINESS OFFICER INSTITUTE

0% 10% 20% 30%

Fee Comparisons

2010-11 University of California And Public Comparison Institution Fees

- SUNY Buffalo
- Illinois
- Michigan
- Virginia
- UC

<table>
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<tr>
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<th>Undergraduate Resident</th>
<th>Graduate Resident</th>
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<tr>
<td>SUNY Buffalo</td>
<td>$10,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>$11,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Michigan</td>
<td>$12,000</td>
<td>$22,000</td>
</tr>
<tr>
<td>Virginia</td>
<td>$13,000</td>
<td>$24,000</td>
</tr>
<tr>
<td>UC</td>
<td>$14,000</td>
<td>$28,000</td>
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Gift Aid Reaching $2 Billion

- Federal Financial Aid
- UC Student Fees & General Funds
- Other UC Funds
- Private Funds
- California Student Aid Commission

Timeline: 2000-01 to 2010-11
UC Remains Accessible

2008-09 Undergraduate Pell Grant Recipients

Selected Public Flagship Institutions

California Research Universities

<table>
<thead>
<tr>
<th></th>
<th>Virginia</th>
<th>Michigan</th>
<th>Stanford</th>
<th>USC</th>
<th>UC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>
Research

Trends in Sources of Research Support (Dollars in Billions)

- State
- Federal
- Private

$0.0
$0.5
$1.0
$1.5
$2.0
$2.5

1999-00
2004-05
2009-10
Capital Outlay

- Past priorities:
  - New facilities for enrollment growth
  - Seismic upgrades

- Future priorities:
  - Facilities modernization
  - Program improvements
  - Continuing seismic upgrades
2010-20 Capital Project Objectives

- Program Improvements 35%
- Infrastructure Deficiencies 16%
- Facilities Modernization 34%
- Enrollment Growth 15%