The University Budget

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November 2011
Today’s Discussion

• Systemwide Budget Process
• Impact of the Current Budget Crisis
• Key Budget Issues
• Funding Streams Initiative
Budget Office Mission

• Budget Development

• Budget Negotiation

• Budget Management
Budget Development

January

Year 1

July

Governor’s Budget

UC Drafts Budget Request

Negotiations with Department of Finance

Regents Approve Budget Request

Internal Consultation
Budget Negotiation

January
Governor’s Budget

Regents Approve Budget Request
President Meets with Department of Finance
UC Drafts Budget Request
Internal Consultation

Year 1

Legislative Analyst Recommendations
Subcommittee Hearings
Conference Committee
Senate and Assembly Approve Budget Bill
Governor’s Vetoes and Signature

July
Budget Management

January

Year 1

July

President’s Preliminary Allocations

Start of Fiscal Year
Budget Management

January

Year 2

Campuses Expend Funds

President’s Final Allocations

July

Fiscal Close
Budget Management

January

Accountability Reporting

Year 3

Development of New Budget

July

Fiscal Close
Internal Budget Consultation

Regents
- Bimonthly meetings
- Individual consultation

President
Vice Presidents

Faculty
- Academic Council
- UC Planning and Budget Committee
- Committee on Faculty Welfare

Campus Leadership
- Council of Chancellors
- Campus EVCs/Provosts
- Budget Vice Chancellors
- Other Vice Chancellors

Students
- UC Student Association
- Meetings with President
- Quarterly student meetings
The 2011-12 Budget Request

(MILLIONS OF DOLLARS)

- Enrollment growth and instructional programs: $36.6
- Compensation and non-salary items: $197.2
- Post-employment benefits: $92.8
- Savings, alternative revenues, and restorations: $85.0
- Financial aid: TBD

Total increase in expenditures: $411.6
2011-12 Sources of Funds - $22.5B

(MILLIONS OF DOLLARS)

45.8% Sales & Services
- Medical Centers $5,987
- Auxiliaries & Extension $1,529
- Clinics & Other Activities $2,415
- Extramural Activities $368

17.7% Government Contracts & Grants
- State Special & Extramural $367
- Federal Appropriations & Extramural $2,735
- DOE Laboratory Operations $870

1.8% Other Sources
- Other $409

27.3% Core Funds
- Student Tuition & Fees $2,965
- UC General Funds $792
- State General Funds $2,374

7.4% Private Support
- Regents' Endowments $207
- Private Gifts, Contracts and Grants $1,468

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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 beyond:
  – State fiscal crisis results in unprecedented cuts for UC
  – ARRA funding provides temporary relief in some years
The University of California

2011-12 Budget
(MILLIONS OF DOLLARS)

- Mandatory Costs, $362.5M
- State Support Reduction, $650M
- Efficiencies and Alternate Revenues, $225M
- November 2010 8% Tuition Increase, $115.8M
- Additional 9.6% Tuition Increase, $150M
- Shortfall, $746.7M

Total: $1,000M

48.5%
The University of California

BUSINESS OFFICER INSTITUTE

2015-16 Budget
(MILLIONS OF DOLLARS)

Budget Gap: $1.5 billion

Cost Drivers
- 2011-12 Budget Gap
- Enrollment Growth Costs
- Post-Employment Benefits Costs
- Compensation Costs
- Enrollment Growth Costs
- Other Benefits Costs
- Capital Renewal Costs
- Other Non-salary Costs

Solutions
- Philanthropy
- Efficiencies and OP Reductions
- Research Cost Recovery
- Nonresident Enrollment Increases
- Professional Degree Tuition Increases
- Enrollment Reductions
- Other Cost Reductions
- Tuition Revenue-Enrollment Growth

Budget Gap: $1.5 billion
The University of California

BUSINESS OFFICER INSTITUTE

Change in Funding per Student
Per-student Average Expenditures for Education, Adjusted for Inflation

- Student Tuition and Fees
- UC General Funds
- State General Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>Student Tuition and Fees</th>
<th>UC General Funds</th>
<th>State General Funds</th>
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<tbody>
<tr>
<td>1990-91</td>
<td>$16,720</td>
<td>$1,970</td>
<td>$2,680</td>
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<tr>
<td>1995-96</td>
<td>$12,860</td>
<td>$1,880</td>
<td>$4,850</td>
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<td>2000-01</td>
<td>$15,020</td>
<td>$1,920</td>
<td>$3,920</td>
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<td>2005-06</td>
<td>$10,100</td>
<td>$2,140</td>
<td>$5,370</td>
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<tr>
<td>2011-12</td>
<td>Estimated</td>
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<td>$8,540</td>
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The chart shows the change in funding per student from 1990-91 to 2011-12, with estimated funding for 2011-12.
Key Budget Issues

- Competitiveness of faculty and staff salaries
- Retirement contributions and retiree health
- Enrollment growth and graduate enrollment
- Student fees and student financial support
- Capital outlay
Faculty Salaries Lag the Market

Faculty Salaries as a Percentage of Market

- Actual
- Desired Level

1998-99: 100%
2002-03: 90%
2006-07: 90%
2010-11: 80%
Staff Salaries Also Lag the Market

Increases in Funding for Staff Salaries Compared to Market

- UC Staff Salary Increase Funding
- Market - Western Region

Retirement Contributions

- No contributions for 19 years
- Funded status of plan has declined to 83%
- No funding yet provided by the State

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>4%</td>
<td>7%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Employee</td>
<td>2%</td>
<td>3.5%</td>
<td>5%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

* proposed
Retiree Health Benefits

- Pay-as-you-go system
- Rising numbers of retirees
- Rising health care costs
- Unfunded liability: $14.6 billion
- State has contributed to support costs in recent years
State-supported Enrollment

- Actual Enrollment
- Budget Target

Years:
- 2003-04
- 2005-06
- 2007-08
- 2009-10
- 2011-12
Graduate Enrollment Proportion

The graph shows the proportion of graduate enrollment from 1965-66 to 2011-12, with a steady decrease over the years.
Fee Comparisons

2011-12 University of California And Public Comparison Institution Fees

- SUNY Buffalo
- Illinois
- Michigan
- Virginia
- UC

Undergraduate Resident

Graduate Resident
Gift Aid Reaching $2.35 Billion

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

California Student Aid Commission

UC Remains Accessible

2009-10 Undergraduate Pell Grant Recipients

Selected Public Flagship Institutions

Virginia  Michigan  Stanford  USC

California Research Universities

UC
Capital Outlay

• Past priorities:
  – New facilities for enrollment growth
  – Seismic upgrades

• Future priorities:
  – Facilities modernization
  – Program improvements
  – Continuing seismic upgrades
2011-21 Capital Project Objectives

- **18%** Program Improvements
- **17%** Facilities and Infrastructure to Address Existing Enrollment Needs
- **12%** Infrastructure Deficiencies and Building Renewal
- **52%** Seismic and Life-safety Improvements
- **1%** Facilities and Infrastructure to Address Future Enrollment Growth
Funding Streams Initiative
Why did we implement the Funding Streams Initiative?

• Promote transparency and simplicity
• Incentivize campuses to maximize revenue
• Address campus concerns about Educational Fee, Indirect Cost Recovery, and other fund source distribution
Distribution of Core Funds Revenue by Source Location

Campus Core Funds Budgets by Revenue Source (2007-08)

- Tuition and Fee Revenue
- Research-related and Other Revenues
- Net State Funding

Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, Santa Cruz
Distribution of Core Funds Revenue by Source Location

Campus-Generated Share of Core Funds (2007-08)
General Campus Core Funds
Budgets per Student

Estimated Per-student General Campus Educational Budgets
(2007-08 General Campus, net of financial aid)
Re-distribution of Educational Fee Increase Revenue

Distribution of 2008-09 Educational Fee Increase Revenue (includes summer, net of financial aid, millions of dollars)

Relative Gain or Loss of Educational Fee Increase Revenue (2008-09)
Funding Streams Principles

• All funds generated on a campus stay on a campus
• The only exception is undergraduate financial aid
• Funds previously supporting UCOP returned to campuses
• UCOP is now funded on a flat tax
UCOP Assessment – 1.6% for 2011-12

- Assessment supports $277.7 million for:
  - General Administration
  - Central Services
  - Central Academic Programs
  - Systemwide Initiatives