Discussion of Tradeoffs for the University’s 2008-09 Budget

Katherine Lapp
Executive Vice President
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Development of 2008-09 Budget

- New expenditures under consideration
- New revenues expected
- Shortfall and tradeoffs
Context for 2008-09 Budget

- State budget balanced for 2007-08
- For 2008-09, DOF projects deficit of $6.1 billion
- UC Goal: Maintain Compact with Governor
- Longer-term needs to be defined by the Task Force to Evaluate University Funding Options
Sources of Revenue

2007-08 Revenue from All Fund Sources: $18.1 billion
(in millions of dollars)

- Medical Centers, $4,063
- UC General Funds, $577
- State General Funds, $3,277
- Student Fees, $1,574
- DOE Lab Operations, $1,035
- Endowment Earnings, $202
- Other, $493
- Extramural - Federal, $2,329
- Extramural - Private, $1,144
- Extramural - Other, $829
- Auxiliary Enterprises and Extension, $1,247
- Museums, Theaters, Clinics, and Other Activities, $1,079
- Special State, Federal and Other Funds, $203

30% General Funds and Fees
36% Services and Auxiliaries
30% Contracts and Grants
4% Endowment and Other
Sources of Revenue: Core Funds

2007-08 Revenue from Core Fund Sources: $5.4 billion
(in millions of dollars)

- Student Fees, $1,574
- UC General Funds, $577
- State General Funds, $3,277
Core Funds: Revenues and Expenditures

2007-08 Revenue and Expenditures from Core Funds

Revenue:
- State General Funds, 60%
- UC General Funds, 11%
- Student Fees, 29%

Expenditures:
- Faculty and Staff, 59%
- Financial Aid, 9%
- Equipment Supplies, Utilities, 20%
- Benefits, 12%

$5.4 billion
Projected Increases in Expenditures
Under a Basic Budget Plan

- Compensation (5% for faculty and staff) $167.0 million
- Accelerated Faculty Salary Plan 20.0 million
- Non-salary price increases 25.0 million
- Enrollment growth 97.7 million
- Student financial support 36.3 million
- Core academic support (1% catch-up) 31.0 million
- Student-faculty ratio 10.0 million
- Graduate student support 10.0 million
- Student mental health services 8.0 million
- Total $405.0 million
Anticipated Increases in Revenue

State Funding:
- Compact Funding: 4% base budget adjustment $124.0 million
- Compact Funding: 1% for core needs 31.0 million
- Enrollment growth: 2.5% 60.0 million

UC General Funds:
- Nonresident Tuition, Indirect Cost Recovery, Other 20.0 million

Student Fee Revenue
- Enrollment growth 37.7 million
- 7% student fee increase (or equivalent State funding) 102.9 million

Total $375.6 million
Shortfall

- Total New Expenditures $405.0 million
- Total New Revenues $375.6 million
- Shortfall $29.4 million
Options for Addressing Shortfall

Options to Reduce Expenditures:

- Identify new systemwide efficiencies
  
- Decelerate faculty compensation increases
  
- Designate a portion of the additional 1% for student-faculty ratio funding
  
- Limit return-to-aid to 30%
  
- Eliminate additional graduate student support
  
- Reduce increase for student mental health

Options to Increase Revenues:

- Raise fee increase by 1% (net of aid)
  
- Raise Registration Fee an additional 3%
    to fund a portion of student mental health

Total:

- Shortfall reduction: $82.5 million
  
- Additional revenue: $14.7 million
  
Net difference: $67.8 million
New Initiatives

- Research
- Public Service
- Deferred Maintenance
Capital Outlay

- Compact specifies $345 million from GO bonds (or State lease revenue bonds)
- Funding for 2008-09 will require a new bond measure
- Plan will continue to include projects that address seismic and life-safety improvements, enrollment growth, modernization of aging facilities, and infrastructure
Next Steps

- Approval of budget plan in November
- Governor’s Budget is released January 10