



UNIVERSITY OF CALIFORNIA
2008-09 BUDGET FOR CURRENT OPERATIONS
SUMMARY OF THE BUDGET REQUEST

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Executive Vice President
November 14, 2007

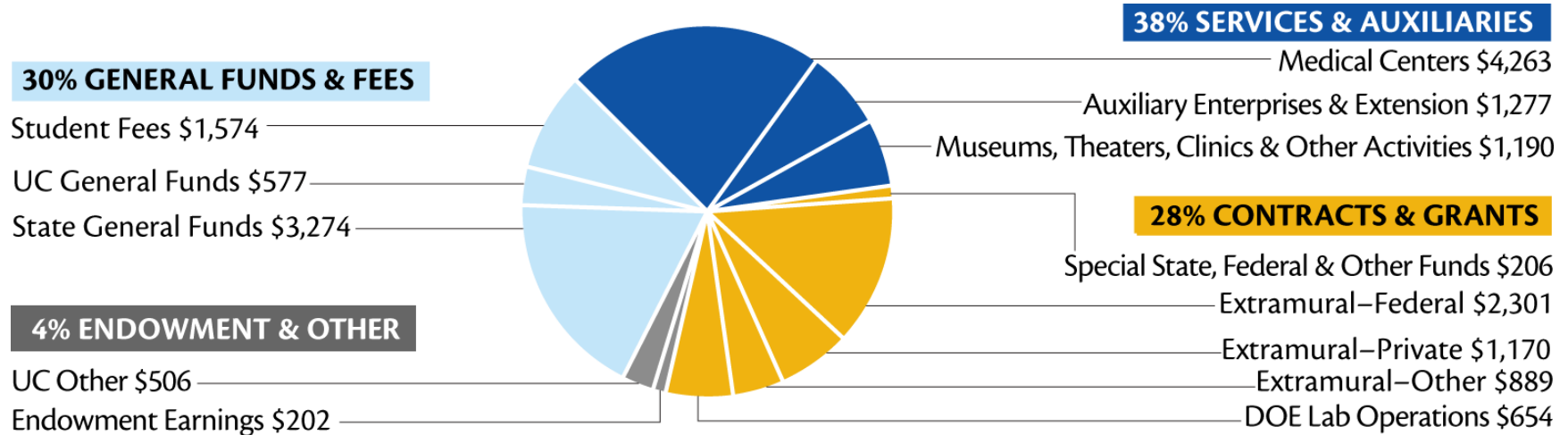
Budgets are a blueprint for turning vision into action

- UC exists to serve the people of California
- California faces huge financial constraints
- UC has a responsibility to meet some needs through cost-savings and efficiencies

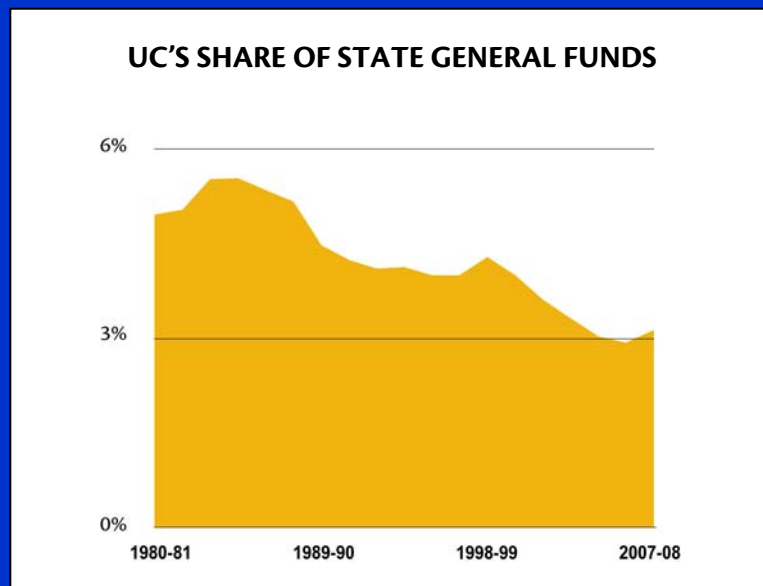
UC's \$18.1 billion operating budget consists of funds from a variety of sources

- State support, which helps leverage other dollars, remains crucial.

2007-08 BUDGETED REVENUE FROM ALL FUND SOURCES
(MILLIONS OF DOLLARS)

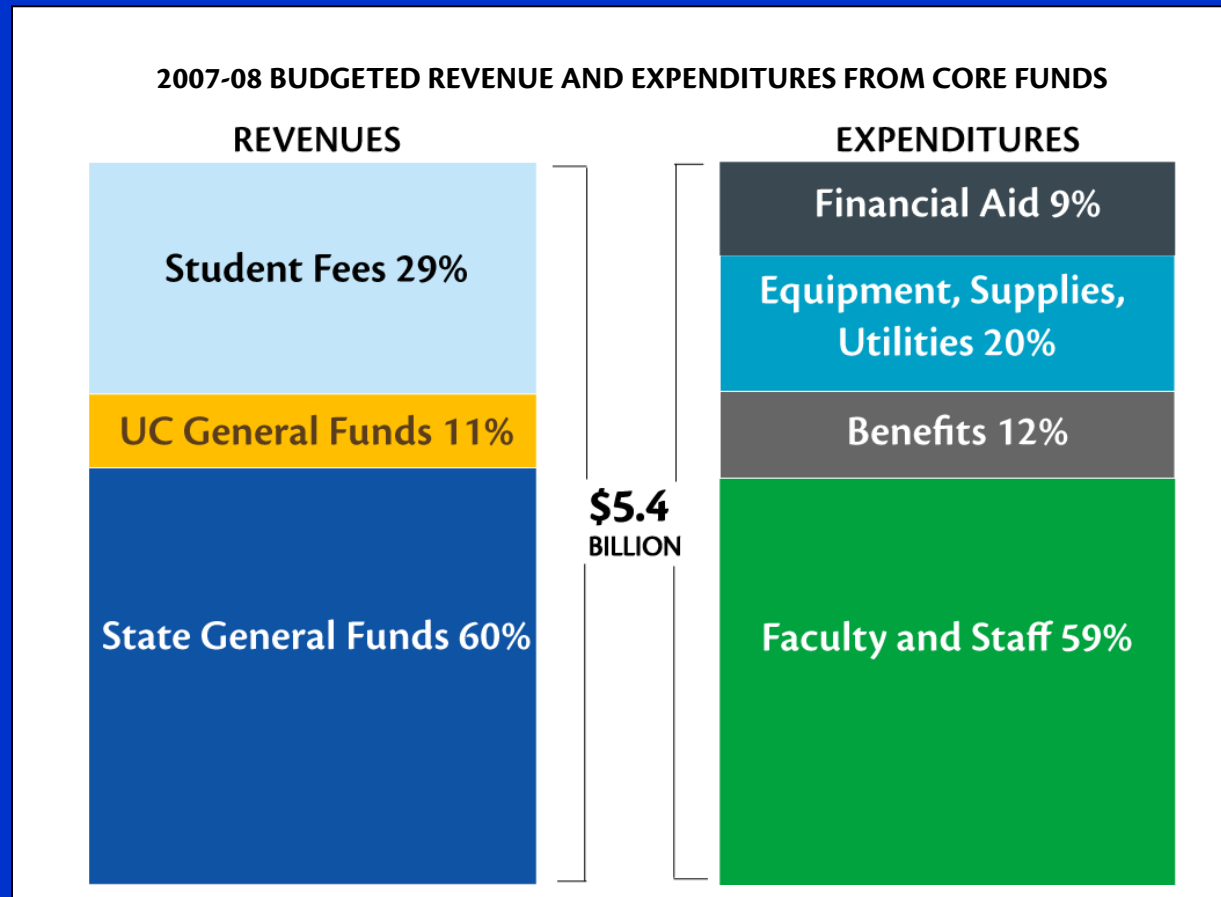


The University's share of State General Funds has declined over the long-term



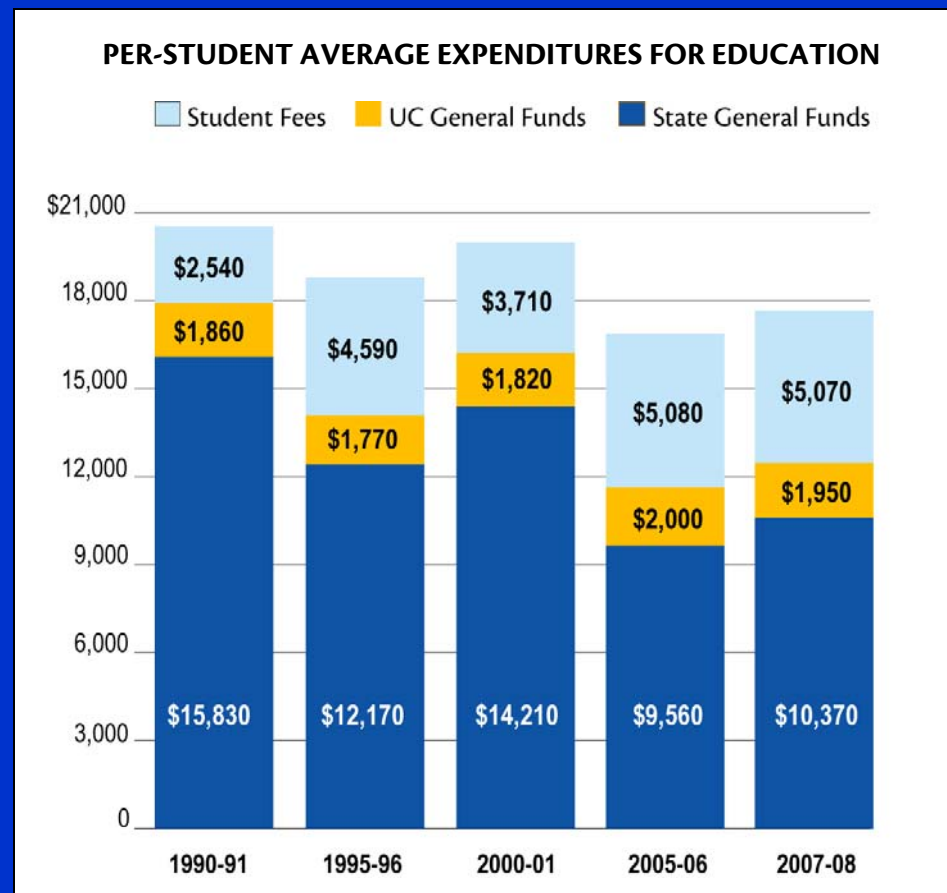
- 2007-08 was a good year for the University.
- While the State's budget grew less than 1%, State funding for UC rose 6.5%.
- UC's share of the State budget is now 3.2%.

Faculty and staff compensation comprise 70% of the core operating budget



State funds per student have dropped 34%, while the student share has doubled

- Since 1990, average inflation-adjusted expenditures for educating UC students declined 14%.
- The State share has declined from 78% to 60% of the total.
- The student share, net of financial aid, has risen from 13% to 30%.



Proposed Increases in Revenue

- State General Funds
 - 4% Base budget adjustment \$123.2 million
 - Additional 1% for core needs 30.1 million
 - Enrollment growth (5,408 FTE) 62.8 million
 - Research Initiative 10.0 million
 - Educational Imperative Initiative 5.0 million
- UC General Funds 20.0 million
- Student Fee Revenue
 - Enrollment growth 39.3 million
 - Professional Fee Increases 16.6 million
- Additional State Funds or
Equivalent Increase in Student Fees 70.5 million
- Total \$378.2 million

Proposed New Expenditures

- Faculty and staff compensation increases (5%) \$168.8 million
- Accelerated faculty salary increases 20.0 million
- Enrollment growth 102.1 million
- Core academic support 30.8 million
- Graduate student support 10.0 million
- Restoration of instructional budgets 10.0 million
- Student mental health services 8.0 million
- Non-salary budget cost increases (2.25%) 25.0 million
- Professional school programs 16.6 million
- Educational Imperative initiative 5.0 million
- Research Initiative 10.0 million
- Total \$406.3 million

Summary of Proposed Budget

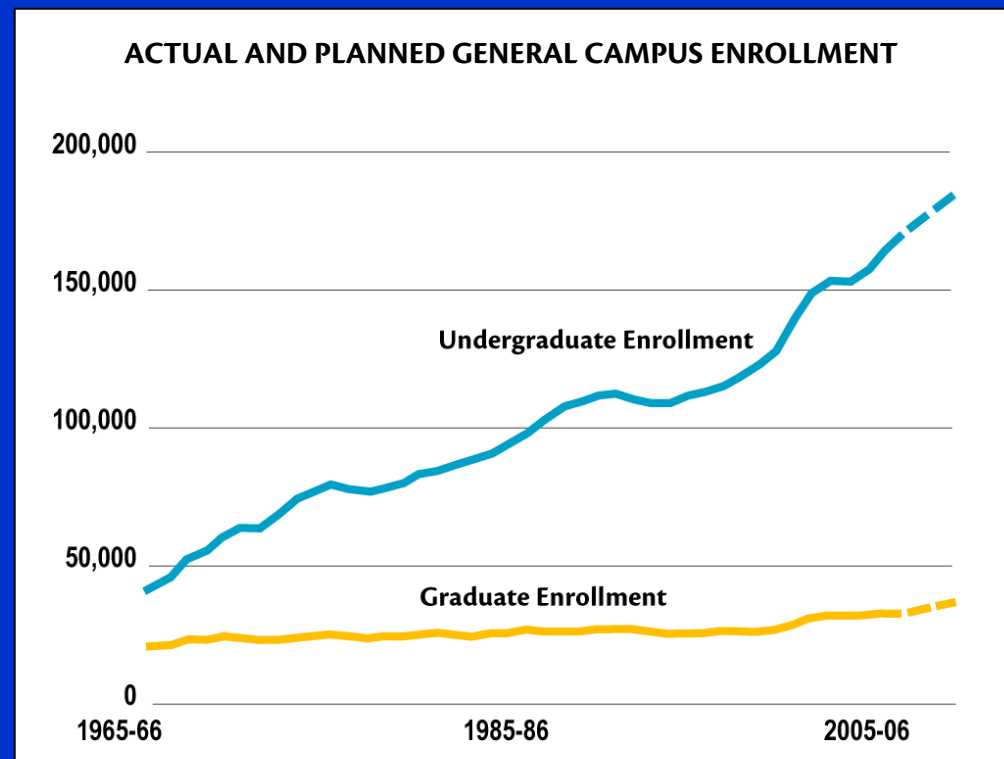
- Increase in revenue \$378.2 million
- New expenditures \$406.3 million
- Redirection of savings from efficiencies (\$28.1 million)

Redirection of Initial Savings from Restructuring and New Efficiencies

- Working closely with the Monitor Group to restructure the Office of the President and generate savings.
- Provost Hume has formed 5 major work groups to recommend changes both in the short and long term to improve efficiency.
- Efforts to identify and capture savings from this fiscal year, including control on funding for position vacancies.

Enrollment Growth: \$102.1 million

- 5,408 FTE undergraduate and graduate students (2.5% growth).
- Expansion of medicine (PRIME) and nursing programs.
- New expansion of public health programs.
- Includes funding for student financial aid.

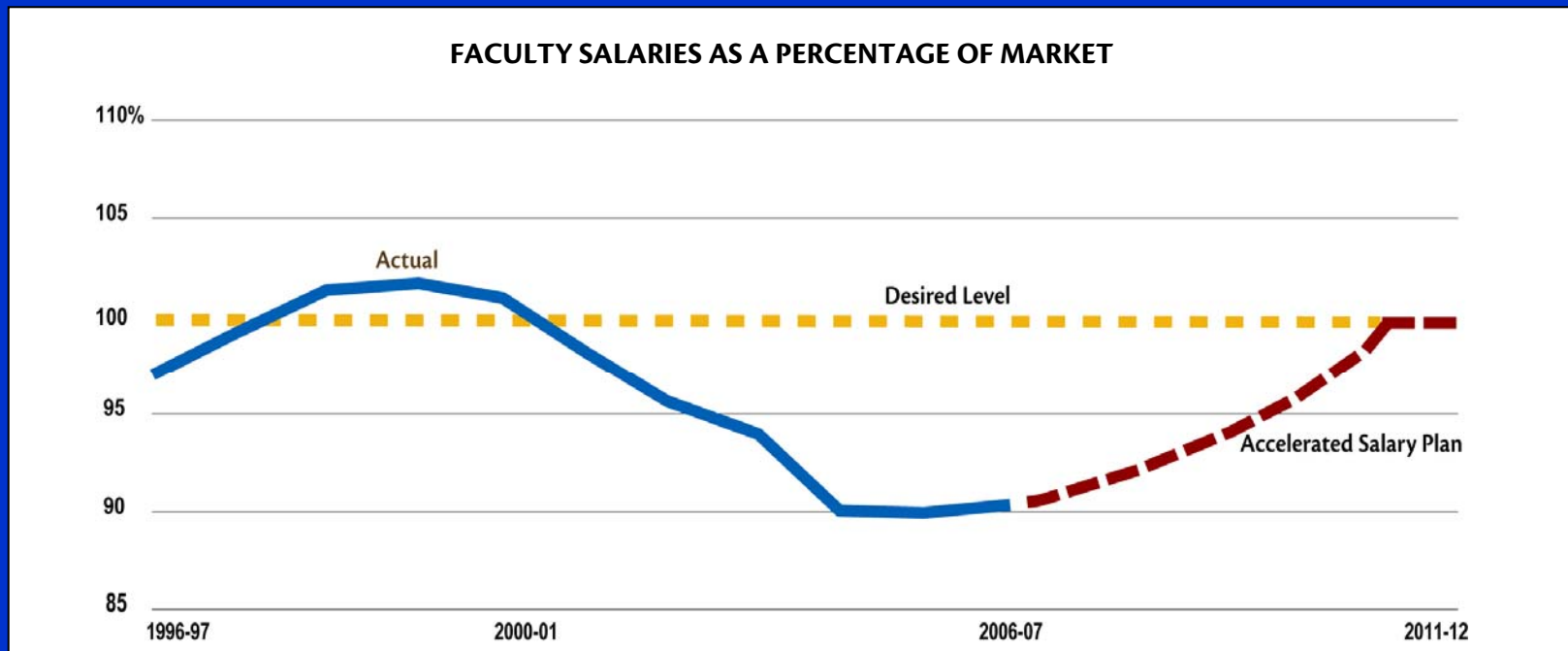


Restoring Competitive Compensation for All Employees: \$168.8 million

- Attracting and retaining quality faculty and staff are critical to building the teaching and research core.
- Earlier budget cuts have resulted in significant disparities in faculty and staff salaries compared to market.
- The University's goal is to achieve and maintain a market-based competitive compensation plan for all employees.
- For 2008-09, budget plan calls for a 5% compensation package for faculty and staff.

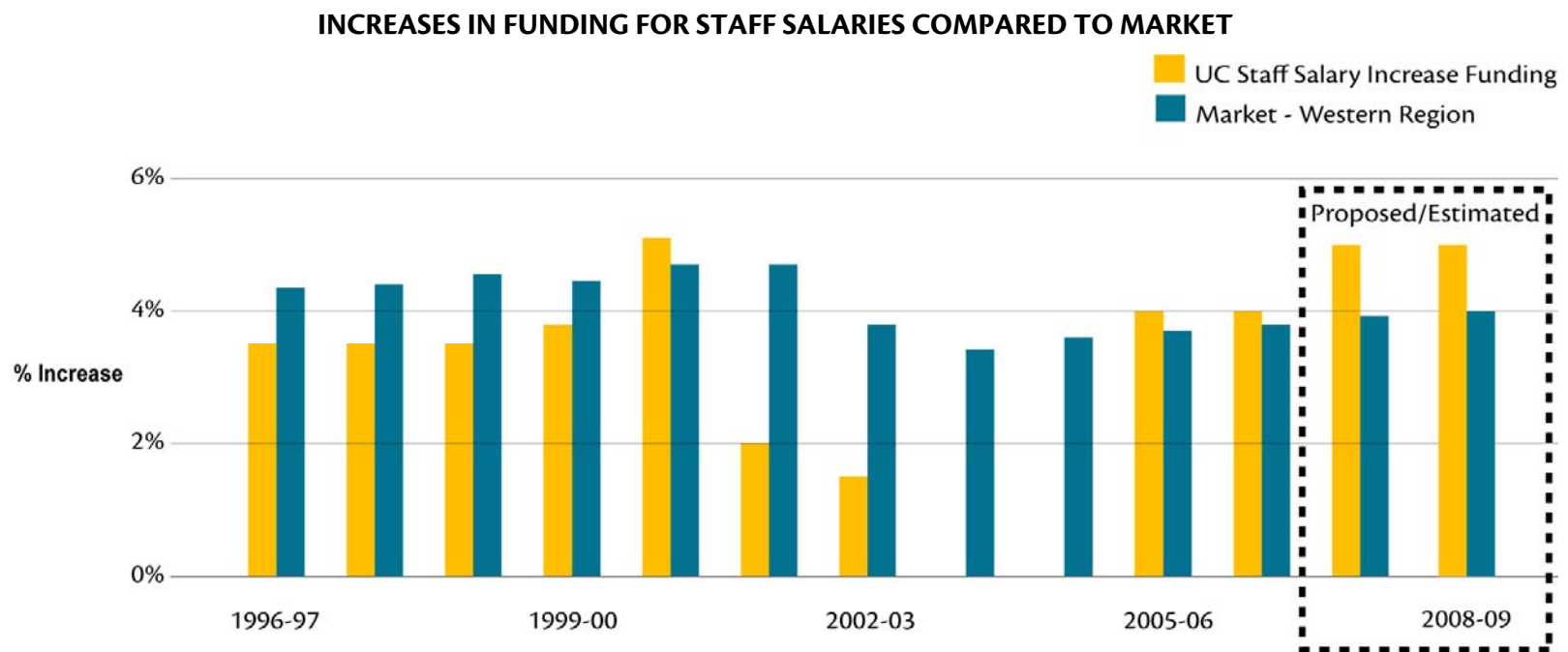
Accelerated Faculty Salary Increases: \$20.0 million

- Faculty salaries currently lag those of comparison institutions by nearly 10%.
- In 2007-08, UC has initiated an accelerated four-year plan to bring faculty salaries back to market levels by 2010-11.



Staff Compensation: 10-year Plan to Close the Market Gap

- From 1996-97 to 2004-05, UC staff salary increases lagged market increases every year but one.
- Current plan calls for increases of at least 5% annually over 10 years.

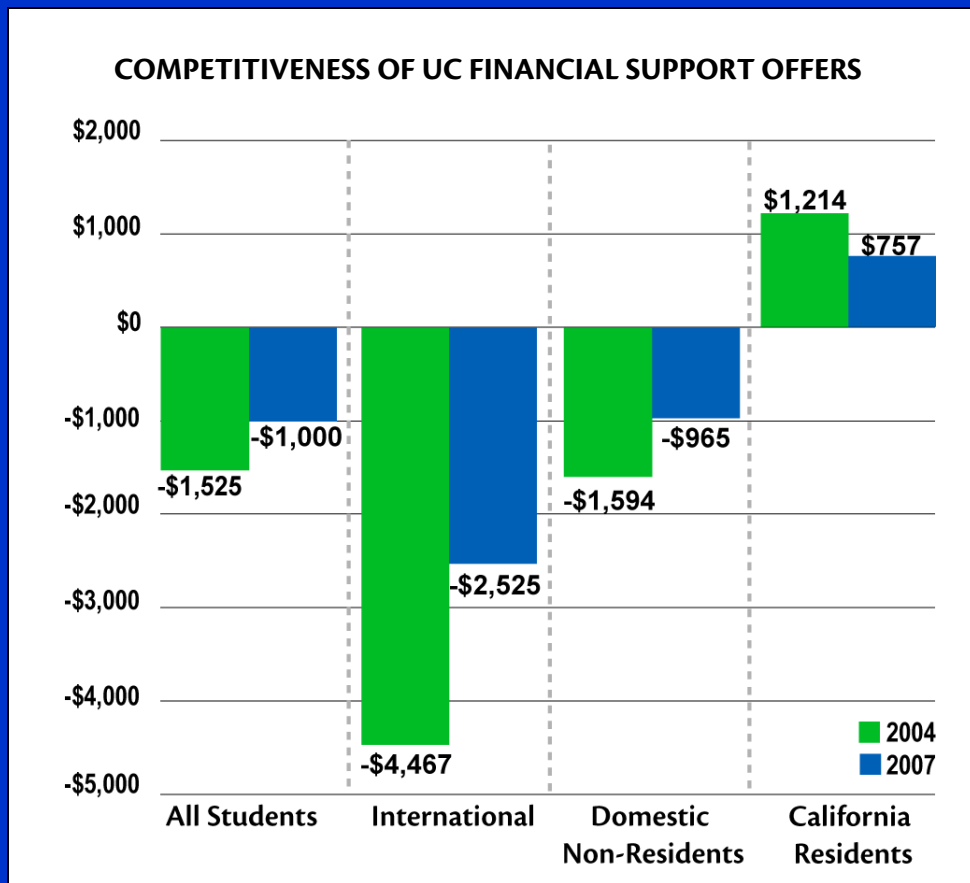


Strengthening Core Academic Support: \$30.8 million



- Instructional Technology
- Instructional Equipment
- Libraries
- Operation and Maintenance of Plant

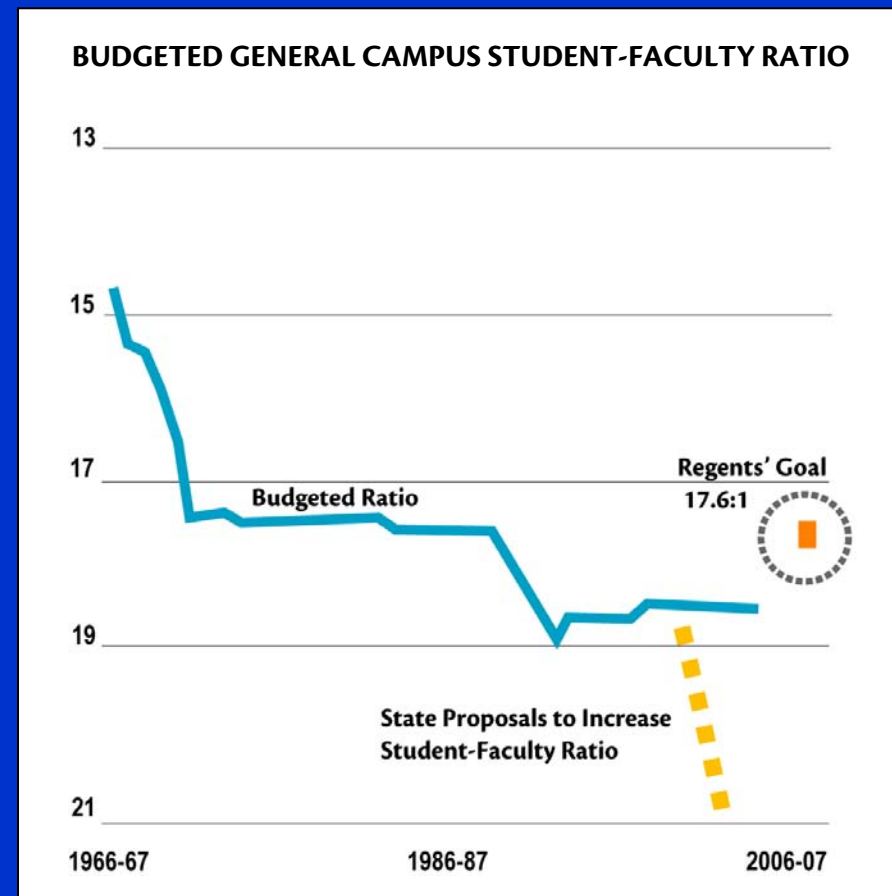
Enhancing Graduate Student Support: \$10.0 million



- Financial support is critical to recruitment of the best graduate students.
- UC has made progress on support offers relative to competitors.
- Large gaps remain, which are exacerbated by the high cost of living in California.

Restoring Instructional Budgets: \$10.0 million

- 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 to reduce ratio from current level of 18.7:1 to 17.6:1.



Improving Student Mental Health: \$8.0 million

- Multi-year plan to respond to student needs, implement targeted interventions, and create healthier learning environments.
- \$4 million added in 2007-08.
- Additional funding in 2008-09 will bring total new funding to \$12.0 million.



Keeping Pace with Inflation: \$25.0 million



- Increasing costs for instructional equipment, library materials, and purchased utilities, among other non-salary items.
- A 2.25% adjustment does not keep pace with inflation.
- This results in built-in efficiencies in University purchasing.

Maintaining Quality in Professional Schools: \$16.6 million

- Student fee increases approved by The Regents at September meeting.
- Funding will support cost increases and initiatives to improve program quality.
- More than 1/3 of fee increase funding will be use for student financial aid.



Supporting Development of the New Campus at Merced: \$10.0 million



- Enrollment has reached 2,000 students in 2007-08.
- One-time funding from State is needed for faculty salaries and recruitment and other support to fully operate the campus.
- State funding will phase down to \$5 million in 2009-10 and be eliminated in 2010-11.

Partnering with K-12, CSU, and Others to Address Key Issues for K-12 Schools: \$5.0 million

- Better information for schools and parents.
- Better capacity for delivery of rigorous academic content.
- More research and dissemination of results.
- Improved statewide policy dialogue.



Responding to State Research Needs – Addressing Climate Change: \$10.0 million



- Engagement and strategic planning to address emerging threats.
- Training and education for the next generation of leaders.
- Leveraging funds for targeted research.
- Establish an expert registry and research portal.
- Enhance communications.

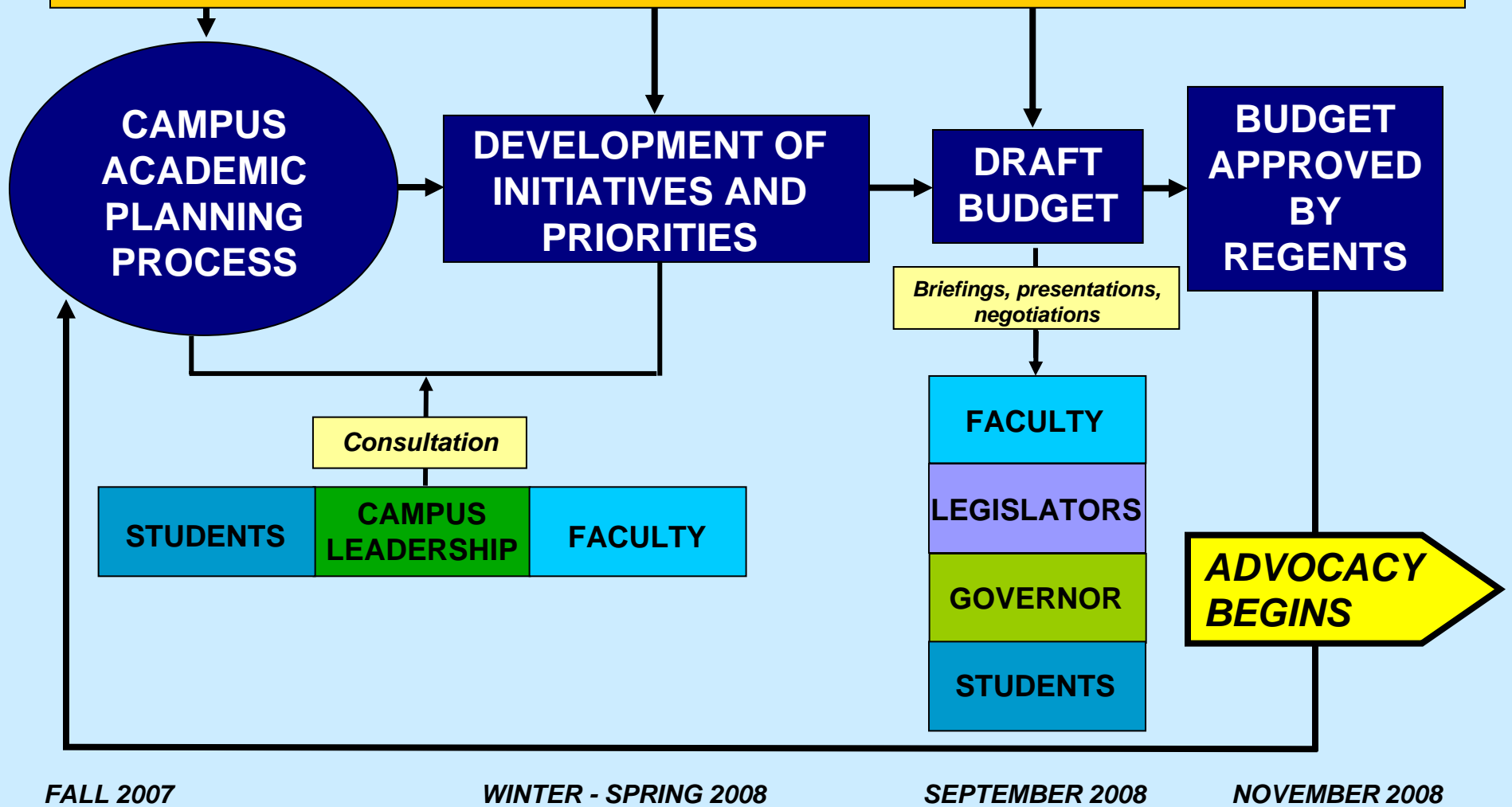
Future Funding for High Priority Needs



- To better serve California, UC needs long-term investment commitment from the State
- Long-range planning process has identified top long-term needs
 - Graduate education
 - Research
 - Competitive salaries
 - K-12
 - Health care
 - Infrastructure

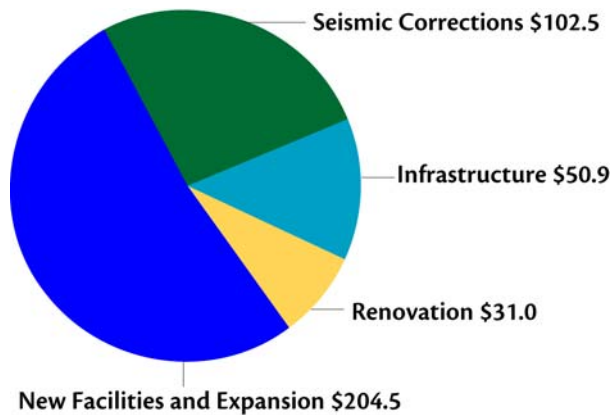
An Open and Transparent Budget Process

REGENTS CONSULTATION: *Long-Range Planning Committee, Finance Committee, Educational Policy Committee, Governance Committee*



State-funded Capital Budget Request: \$388.9 million

REQUESTED FUNDING FOR NEW AND CONTINUING PROJECTS
(DOLLARS IN MILLIONS)



- Facilities to accommodate enrollment growth remain the largest component of the capital improvement program.
- Another \$100 million in State funds for health sciences expansions will be submitted for approval at a later date.