University of California
2016-17 Budget for Current Operations
and Three-Year Financial Sustainability Plan

Executive Vice President Nathan Brostrom
Associate Vice President Debora Obley
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UC Remains Committed to its Three Pillars of Excellence

• Access
  – Expanding access for qualified resident undergraduates from across California

• Affordability
  – Ensuring finances are not a barrier for qualified students

• Quality
  – Providing top quality instruction, world-class research, and high-value public service
### The Upshot (*New York Times*), September 17, 2015: “Colleges Doing the Most for Low-Income Students”

<table>
<thead>
<tr>
<th>Rank</th>
<th>Institution</th>
<th>Freshman class</th>
<th>Low-income students</th>
<th>Net price, middle-income</th>
<th>College Access Index</th>
<th>Endowment per student</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UC Irvine</td>
<td>5,449</td>
<td>40%</td>
<td>$13k</td>
<td>1.91</td>
<td>$11k</td>
</tr>
<tr>
<td>2</td>
<td>UC Davis</td>
<td>5,063</td>
<td>31%</td>
<td>$14k</td>
<td>1.62</td>
<td>$24k</td>
</tr>
<tr>
<td>3</td>
<td>UC Santa Barbara</td>
<td>4,597</td>
<td>31%</td>
<td>$14k</td>
<td>1.61</td>
<td>$11k</td>
</tr>
<tr>
<td>4</td>
<td>UC San Diego</td>
<td>5,218</td>
<td>28%</td>
<td>$13k</td>
<td>1.55</td>
<td>$24k</td>
</tr>
<tr>
<td>5</td>
<td>UC Los Angeles</td>
<td>5,684</td>
<td>28%</td>
<td>$13k</td>
<td>1.53</td>
<td>$65k</td>
</tr>
<tr>
<td>6</td>
<td>U of Florida</td>
<td>6,348</td>
<td>24%</td>
<td>$9k</td>
<td>1.52</td>
<td>$29k</td>
</tr>
<tr>
<td>7</td>
<td>UC Berkeley</td>
<td>4,677</td>
<td>23%</td>
<td>$13k</td>
<td>1.37</td>
<td>$92k</td>
</tr>
<tr>
<td>8</td>
<td>Vassar</td>
<td>662</td>
<td>22%</td>
<td>$12k</td>
<td>1.36</td>
<td>$352k</td>
</tr>
<tr>
<td>9</td>
<td>Amherst</td>
<td>466</td>
<td>20%</td>
<td>$11k</td>
<td>1.33</td>
<td>$930k</td>
</tr>
<tr>
<td>10</td>
<td>Pomona</td>
<td>396</td>
<td>18%</td>
<td>$9k</td>
<td>1.32</td>
<td>$1.147m</td>
</tr>
</tbody>
</table>
UC serves a higher proportion of low-income students than other top research universities

Percentage of Undergraduates from Low-Income Families (Pell Grant recipients), 2013-14

- Virginia: 13%
- Michigan: 16%
- Stanford: 15%
- USC: 23%
- University of California: 42%

Selected Public Flagship Institutions

California Research Universities

Display 4
UC has reduced expenditures on a per-student basis

Average inflation-adjusted resources per general campus student. Excludes financial aid.

Display 5
The University’s budget is funded from a variety of sources

- State support, tuition, and UC General Funds provide the core support for UC’s basic operations.
Funding Framework: Predictable State Funds

- 4% base budget increases extended through 2018-19
  - More than $500 million over next four years
- One-time funds to address deferred maintenance and energy projects in 2015-16
- One-time funding for UCRP unfunded liability over three years, contingent on implementation of State pensionable salary cap
Funding Framework: Predictable Tuition Plan for Future Years

• No tuition increase for 2015-16 or 2016-17
• Student Services Fee to increase by 5%, providing significant revenue for student mental health services
• PDST increases may be proposed at programs other than law
• Nonresident Supplemental Tuition increases
Budget Act of 2015: Key Elements

- 4% base budget adjustment, consistent with the framework
- $25M beginning 2015-16 if UC shows that it will enroll 5,000 more CA undergraduates by 2016-17 (over 2014-15 base)
  - UC to demonstrate sufficient actions to accomplish this goal by May 1, 2016
  - DOF will release $25M to UC at that time
- Dream Loan Program
UC’s 2016-17 Operating Budget Plan

• Expands access for California resident undergraduates
• Assumes no tuition increase
• Requires substantial contribution from UC in cost savings and alternative revenues
• Addresses UC’s mandatory and high-priority costs
• Invests in academic quality
Sustained Expanded Access for California Undergraduates

• UC proposes 5,000 more CA undergraduates by 2016-17 compared to 2014-15
  – Meaningful growth at every campus
  – Increase in CCC transfer enrollments
  – Graduate enrollment increase of 600

• Increases in 2017-18 and 2018-19 will result in 10,000 total increase in CA undergraduates
Sustained Expanded Access for California Undergraduates (Cont’d)

• $25M from the State supports one-half of the undergraduate enrollment increase
• UC will fund the other half
  – Repurposing of financial aid funds for future nonresident undergraduates - $14M in 2016-17
    • Existing nonresident students will not be affected
    • Additional savings in future years
  – One-time $25M in 2015-16 will be used as temporary bridge funding
Trends in CA Resident Undergraduate Enrollment

Figures represent total full-time equivalent (FTE) enrollment of California undergraduates, including summer.
UC’s 2016-17 Operating Budget Plan: Cost Savings/Alternative Revenues

- Asset management $ 40M
- Centralized procurement 30M
- Fiat Lux/Risk Captive 15M
- Philanthropy 10M
- Redirected nonresident aid 14M
- Subtotal $ 109M
UC’s 2016-17 Operating Budget Plan: State General Funds

• Permanent Funds
  Undergraduate enrollment $25.0M
  Graduate enrollment* 6.0M
  4% base budget increase 125.6M
  Subtotal $156.6M

• One-Time Funds
  Prior year enrollment funding $25.0M
  Deferred maintenance* $25.0M

*Not included in the framework
UC’s 2016-17 Operating Budget Plan: Other Revenue

- Tuition and Fees
  - Student Services Fee (5%) $ 8.7M
  - Growth-related tuition revenue 55.2M
  - Revenue for financial aid 33.1M
  - Subtotal $ 97.0M

- UC General Funds
  - Nonresident tuition $ 68.7M
## UC’s 2016-17 Operating Budget Plan: Mandatory Cost Increases

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement contributions</td>
<td>$24.1M</td>
</tr>
<tr>
<td>Employee health benefits</td>
<td>$28.4M</td>
</tr>
<tr>
<td>Annuitant health benefits</td>
<td>$4.2M</td>
</tr>
<tr>
<td>Contractually committed compensation</td>
<td>$26.9M</td>
</tr>
<tr>
<td>Faculty merit program</td>
<td>$32.0M</td>
</tr>
<tr>
<td>Non-salary price increases</td>
<td>$29.7M</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$145.3M</strong></td>
</tr>
</tbody>
</table>

Display 17
Display 18

UC’s 2016-17 Operating Budget Plan: Enrollment / High Priority Costs / Financial Aid

- **Enrollment**
  - 5,000 undergraduates and 600 graduates $56.0M

- **High Priority Costs**
  - Compensation $129.4M
  - Deferred maintenance 50.0M
  - Capital outlay 15.0M
  - Subtotal $194.4M

- **Financial Aid**
  - Dream Loan $5.0M
  - Return-to-aid 30.6M
  - Subtotal $35.6M
UC’s 2016-17 Operating Budget Plan: Investment in Academic Quality

• $50M available as a pool to campuses for:
  – Improved student-faculty ratio
  – Modernizing instructional technology
  – Graduate student support
  – New faculty support
Three-Year Sustainability Plan: Key Elements

• Enrollment growth
  – 5,000 CA undergraduates and 600 graduate students by 2016-17
  – 2,500 CA undergraduates and 700 graduate students in 2017-18 and 2018-19

• Relies upon State marginal cost funding of $10,000 per student after 2016-17
Funding Components

- Increases in State funds and tuition revenue consistent with the framework
- State marginal cost funding for growth beyond 2016-17
- Growth in alternative revenues and cost savings from UC initiatives
- Continued investment in academic quality
- Moderate increases in mandatory and high-priority costs
Alternative Approach

- Assumptions provided by the Department of Finance (DOF) did not include enrollment growth
- Alternative approach is consistent with DOF instructions included in the Appendix to the Plan
- Alternative approach does not reflect UC’s preferred path forward