UC is not just an institution of higher learning. Here, research aims higher. Service reaches higher.

A higher level of excellence calls for a higher commitment.

2010-11 BUDGET FOR CURRENT OPERATIONS

BUDGET DETAIL

AS PRESENTED TO THE REGENTS FOR APPROVAL

UNIVERSITY *of* CALIFORNIA

FOREWORD

The University of California was founded in 1868 as a public, State-supported land grant institution. The State Constitution establishes UC as a public trust to be administered under the authority of an independent governing board, the Regents of the University of California. The University maintains ten campuses: Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. Nine of the campuses offer undergraduate, graduate, and professional education; one, San Francisco, is devoted exclusively to health sciences graduate and professional instruction. The University operates teaching hospitals and clinics on the Los Angeles and San Francisco campuses, and in Sacramento, San Diego, and Orange counties. Approximately 150 University institutes, centers, bureaus, and research laboratories operate throughout the state. The University's Agricultural Field Stations, Cooperative Extension offices, and the Natural Reserve System benefit all Californians. In addition, the University provides oversight of the Lawrence Berkeley National Laboratory and is a partner in limited liability corporations that oversee two additional Department of Energy Laboratories.

Organization of the 2010-11 Budget for Current Operations — Budget Detail

The companion to this document, the *Summary of the Budget Request*, provides a brief overview of the major policy issues, revenue expectations, and expenditure plans and objectives of the University for 2010-11. This document provides explanatory detail for all aspects of the University budget.

The first chapter, *Perspective on the 2010-11 Budget*, provides an overview of the University's contributions to the state both as an educator and as an economic driver.

The *Sources of University Funds* chapter presents a digest of the major fund sources that constitute the University's $20.1 billion in operating revenues. Of particular note is a discussion of the shifts in core funding for the University's mission of instruction, research, and public service due to the loss of State funds that has occurred over the last several decades.

Subsequent chapters discuss specific program areas in more detail and provide fuller justification of requests for funding increases. These include chapters covering the core

mission activities of instruction, research, and public service, as well as all support activities and student financial aid. The *Cross-Cutting Issues* chapter provides budget detail for issues that cross functional areas — systemwide and campus actions to address budget cuts, graduate student enrollment and financial support, diversity, information technology needs, funding for core academic support activities, and long-term planning.

As a significant and growing source of revenue in support of UC's teaching mission, the *Student Fees* chapter provides information about the University's fee policy and practices.

The *Historical Perspective* chapter provides a detailed account of the history of State funding for the University over the last several decades.

Finally, an index appears at the end of this document to assist readers who are looking for a particular subject area.

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LIST OF DISPLAYS

"We have a profound obligation to all Californians to maintain and enhance UC's prominence and leadership role and to invest in our future; mediocrity is not an option."

—Mark G. Yudof
University of California
President

PERSPECTIVE ON THE 2010-11 BUDGET

The University of California makes a vital and lasting contribution to the state's economy and the quality of life of its citizens. Through its teaching, research, and public service programs, the University provides social, cultural, and economic benefits to the people of California:

- UC educates the workforce needed by high-tech business, agriculture, health care, education, and other sectors of the economy.
- UC conducts research that fuels the economy, creates jobs, and increases productivity, leading to higher standards of living.
- UC is a key source of innovation and entrepreneurs, which are essential to the industries that drive California's competitiveness.
- UC provides an unmatched combination of state-of-the-art patient care facilities and path-breaking research programs, which are integrated with medical education programs to improve the health of Californians.
- UC works with K-12 schools to improve the quality of instruction and expand educational opportunities.

In 2003, the University commissioned ICF Consulting to study the University's impact on the state's economy, on the health of its residents, and on the vitality of its communities. In the resulting report entitled "California's Future: It Starts Here", the international management consulting and strategic analysis firm concluded,

"Considering UC's contributions across the board, it is no exaggeration to say that perhaps no other institution in the state benefits the quality of life of more Californians in every sphere of their daily life – learning, working, playing, living – than the University of California.

The University does more than educate over 226,000 students each year; it touches the lives of every Californian. Economic prosperity, social mobility and cultural opportunity — all have been fueled by far-sighted investments in higher education. The excellence of the University's programs leverages billions of dollars in federal and private funding and promotes the discovery and dissemination of new knowledge that fuels economic growth. But to maintain California's leadership role and to meet the changing needs of future generations, California must continue to invest, including supporting the core budget of its world-class research university system.

The operating budget, totaling $20.1 billion, funds the University's core mission responsibilities of teaching, research, and public service, as well as a wide range of activities in support of these responsibilities, including teaching hospitals, the National Laboratories, University Extension, housing and dining services, and other functions.

In recent years, other fund sources have helped to mitigate declines in State support for UC. These other sources include revenue from student fees, UC General Funds, federal funds, teaching hospital revenue, gifts and endowments, and income from self-supporting enterprises.

Yet State General Funds remain extremely critical, for they support the core instructional mission and make it possible to attract funds from other sources. For example, for every State dollar specifically invested in research, UC leverages early $5 more from the federal government and other non-State sources. State funds help attract significant private funding, with one example being the California Institutes for Science and Innovation, a unique funding partnership between the State, industry, and the University.

Planning for the University's 2010-11 budget is proceeding in the context of the State's ongoing fiscal problems. UC further recognizes that it has an obligation to identify and capture savings and has an ongoing review of operations to identify funds for additional UC aspirations and obligations.

The Master Plan for Higher Education

The California Master Plan for Higher Education has been the blueprint for higher education in this state for 50 years. It specifies the mission of each public higher education segment and defines the pool of high school graduates from which each segment will admit its undergraduate students. Consistent with the Master Plan, the University has a tripartite mission:

- **Teaching**, which consists of undergraduate, professional, and graduate academic education through the doctoral degree. Under the Master Plan, UC is responsible for educating all eligible students in the top 12.5% of the high school graduating class who choose to attend UC as well as for providing access to eligible community college transfer students by maintaining at least a 60:40 ratio of upper division to lower division enrollment. Students develop analytic and communication skills, gain exposure to a wide range of intellectual traditions and emerging concepts, and develop in-depth knowledge in a particular area of study, all of which help prepare them for an increasingly knowledge- based society. In addition, UC has sole responsibility in public higher education for doctoral education and for professional education in law, medicine, veterinary medicine, and dentistry.[1]
- **Research.** The Master Plan designates UC as the primary State-supported academic agency for research. As one of the world's preeminent research universities, UC provides an environment in which leading scholars, researchers, and students, both undergraduate and graduate, work together to discover new knowledge and train California's future workforce in state-of-the-art technologies necessary to keep California on the cutting edge of economic, social, and cultural development. Teaching and research are inextricably linked at the graduate level, and increasingly at the undergraduate level as well. This synergy helps to build the continuing and evolving creativity and critical thinking skills so important to successful professionals. University research also provides a vital link for the private sector to the development of new knowledge and the innovations that lead to new industries and the creation of more jobs.
- **Public Service.** The University's public service mission is to contribute to the well-being of the community, state, and nation. The University fulfills its public service mission by providing a broad range of services important to the state.

[1] In 2007, the Legislature granted CSU the authority to offer a specific Ed.D. in educational leadership. CSU may also offer joint doctoral degree programs with UC or independent institutions.

Student academic preparation programs are designed to bolster academic performance and improve a student's chance of success in pursuing higher education. UC Cooperative Extension programs benefit agriculture, consumers, and local communities by bringing to them new technologies and the latest research findings. Health science programs, including UC's five teaching hospitals and their associated clinics, provide state-of-the-art patient care. University Extension programs help retrain and expand learning for 320,000 students annually. Public service programs allow state policy makers to draw on the expertise of UC's faculty and staff to address important public policy issues.

The Pursuit of Excellence

The University of California is internationally renowned for the quality of its academic programs and consistently ranks among the world's leading institutions in the number of faculty and researchers singled out for awards and distinctions, election to academic and scientific organizations, and other honors.

- Fifty-six faculty and scientists affiliated with UC have been awarded Nobel Prizes, the pinnacle of achievement for groundbreaking research; 24 of the Nobel Prizes have been won since 1995. No public university has won more Nobel Prizes than UC. In the past year alone, two UC professors were honored with Nobel Prizes.
- UC-affiliated researchers have received 58 Medals of Science, approximately 10% of the medals presented since Congress created the award. In 2009, one UC-affiliated researcher was awarded a Medal of Science.
- Among currently employed faculty, UC boasts 380 members of the National Academy of Sciences, including 17 who were admitted in 2009; 372 members of the American Academy of Arts and Sciences, 5 of whom were admitted in 2008; 110 members of the Institute of Medicine, 4 of whom were admitted in 2007; and 588 members of the American Association for the Advancement of Science, 36 of whom were admitted in 2007.
- In 2009, two researchers affiliated with UC received one of the nation's most coveted honors, a MacArthur Foundation Fellowship, which is often referred to as a "genius" grant. Since the first MacArthur Fellowships were bestowed in 1981, 75 faculty, researchers, and others affiliated with UC have been awarded these prestigious grants.
- Also in 2009, 14 UC faculty were named Guggenheim Fellows on the basis of distinguished achievement in the past and exceptional promise for future accomplishment. More Guggenheim fellowships have been awarded to UC faculty than to any other university or college —approximately 1,460 since 1930. They include writers, painters, sculptors, photographers, filmmakers, choreographers, physical and biological scientists, social scientists, and scholars in the humanities.

In addition to individual faculty honors and awards, the University, its campuses, and individual academic departments are frequently cited for excellence. UC is among the top research institutions in the world:

- The most recent rankings of the prestigious National Research Council, which analyzed the doctoral programs of 274 universities, placed more than half of the University's 230 graduate programs at the nine campuses in the top 20 of their field — a performance unmatched by any university system in the country. New rankings are expected in the coming year.
- In 1997, a study of the rise of research universities placed UC campuses at the forefront of research productivity and in creating new

knowledge. The Berkeley and Santa Barbara campuses were ranked first and second, respectively, with the six other general campuses ranked in the top 26, among the nation's public research universities.[2]

- This achievement in research productivity is affirmed by UC's leadership in intellectual property licensing. Studies by the National Science Foundation (NSF) and the Milken Institute have confirmed that UC and its affiliated national laboratories produce more research leading to patented inventions than any other public or private research university or laboratory. The University ranked first for numbers of U.S. biotechnology patents issued and between 2000 and 2004, and during that time 20% of all nanotechnology patents came from UC.

The University also excels in its public service mission. A 2009 college ranking in *Washington Monthly* focused on how much an institution benefits the country — how well a college performs as an engine of social mobility, fosters scientific and humanistic research, and promotes an ethic of service to the country. The Berkeley, San Diego, and Los Angeles campuses were ranked the first, second, and third in the nation, with the Davis campus included in the top ten and the Irvine, Riverside, Santa Barbara and Santa Cruz campuses in the top 56.

These distinctions are evidence of the University's pre-eminence among the nation's leading universities, an accomplishment that benefits all of California. The quality of programs developed and maintained within the University over the years owes much to the citizens of California, who have long recognized and enjoyed the benefits to the State of supporting a public university of national and international distinction, but UC's excellence is in danger of being eroded.

UC's Contribution to the State Economy

This state has had a long record of strong economic performance with a history of successful companies and high-paying jobs. If California were a country, its economy would be among the top 10 in the world. In comparison to other states, salaries in California have been well above the national average for the last three decades.

California became one of the world's leading economies in the second half of the 20th century, in part because it had a greater number of excellent research universities and more venture capital than other states, which helped create and attract knowledge-based companies. For example, basic research at California's research universities created the biotechnology industry and hundreds of biotechnology companies have been founded by UC faculty and former students. Knowledge-based companies depend upon discoveries and highly-educated employees from university research laboratories and technology transfer.

However, there are signs that California is losing its comparative advantage. Already, California's per capita personal income, relative to the national average, has declined continuously from 118.2% of the U.S. average per capita personal income in 1980 to 107.8% of the U.S. average by 2007. According to the National Center for Higher Education Management Systems in 2005, changes in California's population and low educational attainment levels among faster-growing groups will lead to a reduction in California's per capita income levels relative to the U.S. average, reaching 50th among states by 2020.

As baby boomers retire, they will be replaced by younger workers. These younger workers, however, will have lower educational levels than today's retirees. According to the 2006 report by economists at the California State University

[2] Graham and Diamond, 1997. *The Rise of American Research Universities: Elites and Challengers in the Postwar Era*.

at Sacramento's Applied Research Center, "Keeping California's Edge: The Growing Demand for Highly Educated Workers,"

> *"In recent history, California's education pipeline has always assured that the next cohort to enter the labor force would be better educated than current and previous cohorts. Employers could anticipate the ever-improving educational attainment of the labor force. Now, for the first time, projections of California's education pipeline indicate declining labor force quality compared to previous cohorts, which raises questions about our ability to supply the higher-educated labor force of the future."*

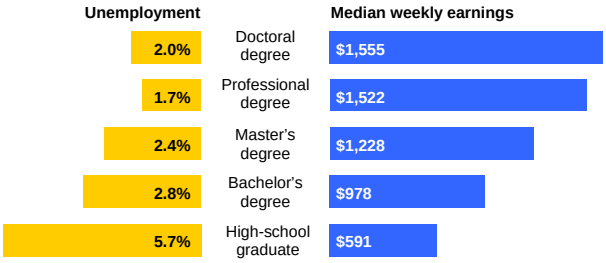
While 41% of California's 45- to 64-year-olds hold an associate's degree or higher, only 36% of 25- to 34-year-olds are as educated. The report projects, moreover, that occupations in California requiring a higher education degree (associate's degree or higher) will grow by more than 46% between 2002 and 2022, while occupations not requiring higher education will grow by only 33.5%.

The industries that will be driving California's economic longer-term competitiveness will be knowledge-based industries. California's fastest growing occupational categories are professional and managerial jobs. In the early 1980s, one-fourth of all jobs in California were held by professionals and managers. Today, that fraction has grown to one-third of all jobs.

Most of these new professional and managerial jobs require at least a bachelor's degree and often a master's or doctorate. The California Postsecondary Education Commission's 2007 "Public Higher Education Performance Accountability Framework Report" showed that occupations in critical need of highly educated professionals include computer occupations, engineering, teaching, nursing, and pharmacy.

DISPLAY I-1: EARNINGS AND UNEMPLOYMENT BY LEVEL OF EDUCATION

With the shift to a knowledge-based economy, individual income and employment are more closely linked to level of education. Average earnings are higher and unemployment rates are lower for those with more advanced levels of education.



Source: Bureau of Labor Statistics, 2008.

As the Public Policy Institute of California (PPIC) described in their 2009 report, "Closing the Gap: Meeting California's Need for College Graduates," the state faces a shortfall in college-educated workers as, for the first time, retirees are not being replaced by more plentiful and better-educated younger workers. Instead, the State's college- aged population will be increasingly made up of groups with historically low levels of educational attainment. Particularly notable are Latinos, comprising about one-third of the state's current population, and projected to make up 43% of California's 2025 population. Though UC has made great strides over the past 30 years in increasing Chicano/Latino enrollment (as described in *Cross-Cutting Issues*), college attendance and completion rates are still low, even among the second generation.

A more educated population is one that generates more tax revenue and enjoys more rapid economic growth. On an individual level, the correlation between higher levels of education, lower levels of unemployment, and median earnings is clear (Display I-1). Furthermore, individuals who are members of groups that are historically the least likely to complete college are those who receive the greatest return on their education in terms of higher salaries.

The need for more college graduates is evident, but the solutions are less so. Already, the CCC, CSU, and UC systems account for over 80% of California's higher education enrollment, and the CSU and UC systems award over three-fourths of the baccalaureates conferred annually in California. In order to generate the additional 1 million baccalaureates needed by 2025, PPIC suggests that California would need to graduate another 60,000 students a year, a 40% increase over current levels. In "Closing the Gap," PPIC proposes three solutions:

- **Increase college attendance**. The National Center for Public Policy and Higher Education found in 2008 that only 56% of California's high school graduates directly matriculate to any college, compared to 62% nationwide.
- **Increase the transfer rate to CSU and UC**. Only 20-30% of students who matriculate at a community college eventually transfer to a four-year institution, and community college students spend an average of four years at a CCC before transferring.
- **Increase graduation rates.** While over 80% of UC students graduate within six years, only about half of CSU students do so.

Though, according to PPIC, "high school students who go directly to UC have the greatest likelihood of earning a degree, and UC is projecting a very slight increase in the share of high school students it will admit," UC does have room to improve. Some of these avenues are more likely to bear fruit than others.

Unfortunately, because the State has been unable to support recent enrollment growth, UC, like CSU, is taking steps to reduce enrollment to earlier levels (see the *General Campus Instruction* chapter for further detail). Additionally, because the graduation rate at UC is already quite high, improvements to the graduation rate would not yield a significant number of new graduates; however, the University's graduation rate and time to degree have consistently improved over the past ten years and may continue on these trajectories.

The University can, however, make inroads with improving the transfer rate. UC has several initiatives to this end, including UCTransfer and ASSIST, online tools to help CCC students navigate the transfer path. Both are described further in the *General Campus Instruction* chapter.

In the future, California will also be in need of graduate students. Analysis conducted by the PPIC indicates that growth in the number of jobs requiring graduate degrees will surpass one million, a 68% increase from 2005.

The State's investment in higher education will impact the future of knowledge-based industries in California. The respected UCLA Anderson Forecast looked at California's long-term trends in demography and economy in its September 2004 report. The Forecast attributed California's relative drop in income to a growing "education gap" with the rest of the United States. Between 1985 and 2003, the percentage of those with four or more years of college rose by 8% across the U.S., but only by 5% in California. While California's percentage remains higher than the national level, a lack of investment in education will continue to erode the economic advantages that California has enjoyed and the quality of life in the state.

The State is at a crossroads. Where California was once and still is among the highest educated and earning states in the nation, that advantage will not last if current trends in education continue. The University of California is one of the top universities in the world, as a research institution and as an engine of economic growth. Investment on the State's part in the University translates to investment in the future of California.

"Contrary to the persistent myth that the University of California could offset steep reductions in State support by tapping a treasure chest of billions of dollars, non-State sources are essentially already committed to specific and appropriate activities."

—Peter Taylor
University of California
Chief Financial Officer

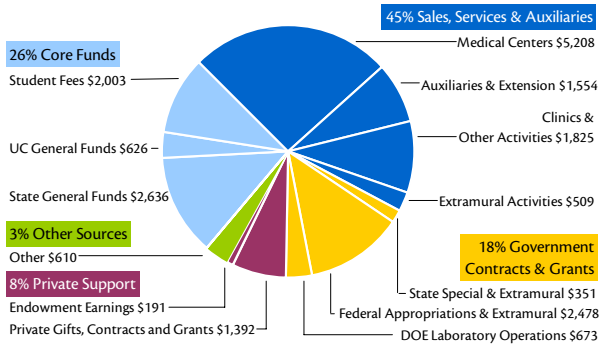
SOURCES OF UNIVERSITY FUNDS

The University's operating revenues, estimated to be $20.1 billion in 2009-10, support the tripartite missions of teaching, research, and public service, as well as a wide range of activities in support of and generated by these responsibilities, including teaching hospitals, the Lawrence Berkeley National Laboratory, University Extension, housing and dining services, and other functions.

These activities are funded from a wide range of sources, including State support, student fees, medical center and other self-supporting enterprise revenues, federal, State, local, and private contracts and grants, and private giving and endowment earnings, among others, as shown in Display II-1. The University's annual budget plan is based on the best estimates of funding available from each of these sources. This chapter presents a digest of major fund sources. Later chapters of this document describe the functional areas in which the University's funds are expended.

DISPLAY II-1: 2009-10 PROJECTED EXPENDITURES FROM ALL FUND SOURCES
(DOLLARS IN MILLIONS)

UC's operating budget, totaling $20.1 billion in 2009-10, consist of funds from a variety of sources. State support, which helps leverage other dollars, remains critical.



Core Operating Funds: General Funds and Student Fees

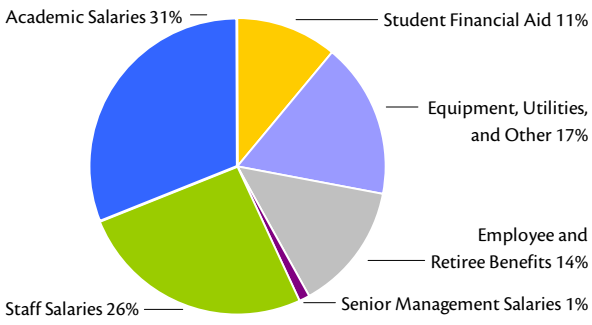
The University's "core funds," comprised of State General Funds, UC General Funds, and student fee revenue, provide permanent support for the core mission activities of the University: instruction, research, and public service, as well as the administrative and support services needed to carry out these activities. Totaling $5.3 billion in 2009-10, these funds represent 26% of the University's total budget. Much of the focus of UC's strategic budget process and negotiation with the State is dedicated to the levels and use of these fund sources.

State General Funds

State General Fund support for UC, $2.64 billion in 2009-10, provides a critical base of permanent support for the University's core mission activities. The majority of State General Funds are undesignated in the State budget act, but some funding is specifically designated for specific programs or activities. In addition to funding for basic operations, the State appropriation includes funding for principal and interest payments associated with University facilities financed through lease-purchase agreements with the State Public Works Board. In 2009-10, the State is also providing a $5 million one-time allocation for start-up activities at UC Merced.

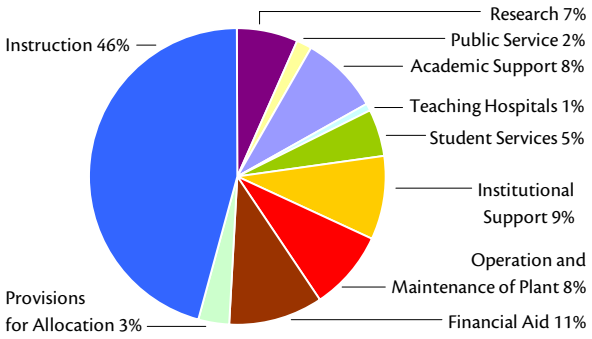
DISPLAY II-2: 2008-09 CORE FUNDS EXPENDITURES BY TYPE

Nearly three-fourths of core funds support academic and staff salaries and benefits.



DISPLAY II-3: 2008-09 CORE FUNDS EXPENDITURES BY FUNCTION

Nearly half of core funds are spent in general campus and health sciences instruction.



In recent years, State funding augmentations have been driven in large part by the Compact with Governor Schwarzenegger. The fiscal provisions of the Compact were designed to provide necessary resources for base budget adjustments to help fund salary, health benefit, and non-salary price increases; enrollment growth at an agreed-upon marginal cost of instruction; funding to address chronic budgetary shortfalls in State funding for core academic support; and continued support for bond financing to meet capital outlay needs. The Compact is described in more detail in the *Historical Perspective* chapter of this document.

The provisions of the Compact called for the State to provide funding for 2008-09 and 2009-10 of at least $223 million each year. However, the State's ongoing budget deficit led the Governor to first fund the Compact provisions in 2008-09, and then propose a 10% reduction from that higher budget. In this way, at least initially, the Compact protected UC from greater budget reductions in 2008-09. As the latest State's fiscal crisis grew during fiscal year 2008-09, proposed budget cuts grew. Permanent and one-time cuts to UC's budget for 2008-09 totaled $814.1 million, although these reductions were to be partially offset by State Stabilization Funds authorized by the federal economic stimulus act ($716.5 million has been received to date). For 2009-10, permanent and one-time cuts in State funding total $637.1 million (from the level of State funding in 2007-08), essentially erasing the gains made over the earlier period of the Compact. These cuts, along with the $450 million in funding promised by the Compact for 2008-09 and 2009-10 mean that State funding is nearly $1.1 billion below the Compact in 2009-10.

UC General Funds

In addition to State General Fund support, certain other fund sources are unrestricted and provide general support for the University's core mission activities. Collectively referred to as UC General Funds, these include:

- a portion of overhead on federal and state contracts and grants;
- DOE laboratory overhead and management;
- nonresident tuition;
- fees for application for admission and other fees;
- a portion of patent royalty income; and
- interest on General Fund balances.

The University expects to generate $626.4 million in UC General Funds during 2009-10. The largest sources of UC General Funds are nonresident tuition, accounting for $272 million, and indirect cost recovery on federal contracts and grants, totaling $274 million in 2009-10.

Student Fees

Also included in the core funds category are revenues generated from student fees. Three fees are included as core funds:

- Educational Fee revenue supports student services, student financial aid, and a share of the University's operating costs for instruction, libraries, operation and maintenance of plant, and institutional support. A proposal for mid-year increases in the Educational Fee will be presented to the Regents at the November 2009 meeting. If approved, Educational Fees for 2009-10 will range from $7,401 to $8,859, depending on student level, program, and residency status, and will generate $1.63 billion.
- University Registration Fee revenue provides funding for student life, student services, and other activities that provide extracurricular benefits for students, as well as capital improvements. The $900 Registration Fee will generate $196.3 million during 2009-10.
- Professional school fee revenue helps fund instructional costs associated with the professional schools, including faculty salaries, instructional support, and student services, as well as student financial support. Professional school fees range from $4,000 to $25,675, depending on the program and campus, and will generate $176 million in 2009-10.

These and other UC student fees are discussed in detail in the *Student Fees* chapter of this document.

Historical Changes in Core Funds Support

State funds represent a critical investment by the State, making it possible for the University to attract funds from other sources. For every State dollar specifically invested in research, UC leverages nearly $5 more from the federal government and other non-State sources. State funds help attract private funding, with one example being the California Institutes for Science and Innovation, a unique State, University and industry partnership.

How ARRA Funds Are Helping UC

The American Recovery and Reinvestment Act (ARRA), signed by President Obama in February 2009, is providing support for UC in several ways:

State Fiscal Stabilization Funds: ARRA includes funding for states to help maintain support for education. As of October 2009, UC has received $716.5 million in State Fiscal Stabilization Funds to help offset State funding reductions and support UC's operating budget on a one-time basis.

Research Grants: ARRA provides significant additional funding for federal research grants, particularly for biomedical, energy, and climate change research. UC researchers have already been awarded more than $671 million in additional grant funding. Because many awards are multi-year, these research funds will have an impact beyond the 18-month term of ARRA. UC campuses and national laboratories will also benefit from additional ARRA awards for construction of research facilities.

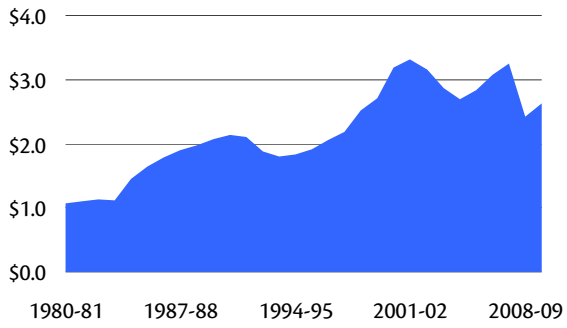
Medical Centers: In addition to the expansion of research funds described above, UC's medical centers will benefit from a major investment in clinical operations through an increase in the federal Medicaid matching assistance percentage, which increased Medicaid payments to the medical centers by $60 million during 2008-09. ARRA also includes funding for investment in clinical information technology and community health.

Financial Aid: The stimulus act includes increases in the maximum Pell Grant award, which for UC will provide an estimated $33 million in new financial aid, benefitting more than 50,000 UC undergraduates. In addition, ARRA expands the existing higher education tax credit to more families and increased the amount of the tax credit. More than 80,000 UC students are eligible for the tax credit and could benefit by as much as $88 million. ARRA will also provide UC students with additional work-study funds.

State funding for UC has fluctuated over time, as shown in Display II-4. Funding increases and reductions have largely coincided with changes in the state's economy. In the 1980s, State funding for UC doubled due to the high priority placed on the University of California by Governor Deukmejian and the Legislature, but extraordinary declines occurred during recessionary years in the early 1990s. During the late 1990s, under the first Compact with Governor Wilson and the first two years of the Partnership with Governor Davis, the State provided increased funding for the UC's budget every year, totaling more than $1 billion.

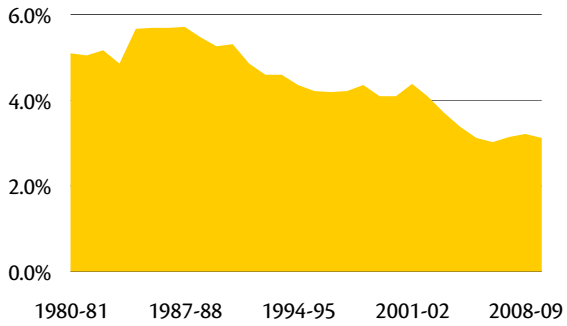
DISPLAY II-4: STATE GENERAL FUND SUPPORT
(DOLLARS IN BILLIONS)

State support for UC has fluctuated over time, coincident with the state's economy.



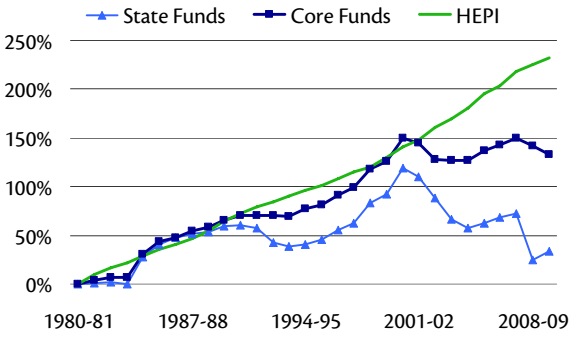
DISPLAY II-5: UC SHARE OF STATE BUDGET

However, UC's share of the total state budget has declined markedly over the long term. In the late 1980s, more than 5% of the State General Fund was dedicated to UC. By 2009-10, the UC share had declined to 3.1%.



DISPLAY II-6: GROWTH IN CORE FUNDS PER STUDENT RELATIVE TO INFLATION

Most recently, growth in total core support, including State funds, UC General Funds and student fee revenue, has not kept pace with enrollment growth and inflation. State funding, relative to inflation, has fallen off sharply during the last decade.



A State budget crisis at the beginning of this decade led to another decline, but State funding for UC rose from 2005-06 through 2007-08, under the Compact with Governor Schwarzenegger. As mentioned earlier, the latest crisis has led to a dramatic reduction in State funding for UC during 2008-09 and 2009-10.

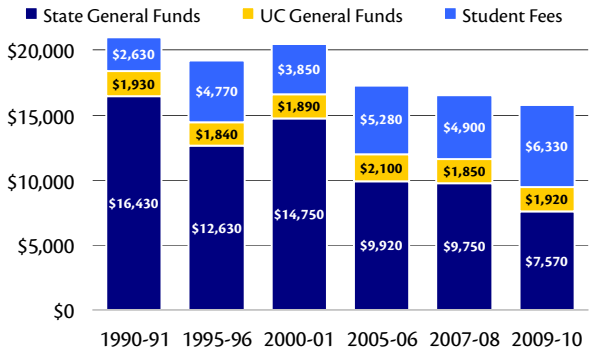
While funding from the State in real dollars tripled during the period from 1980-81 through 2007-08, the University's share of the total State General Fund budget declined markedly (see Display II-5). In 1980-81, the State dedicated 5% of the State General Fund toward the University's programs. In 2009-10, funding for UC represents just 3.1% of the State budget. Other State operations, and the prison system in particular, have taken larger shares. In 1990-91, the State's corrections budget was slightly less than State support for UC. Today, State funding for corrections nearly surpasses the combined State support of UC, CSU, and the community colleges.

Another critical issue for the University is how well funding has kept pace with the costs of providing postsecondary instruction. Display II-6 shows the University's core funds budget on a per student basis relative to inflation as measured by the Higher Education Price Index (HEPI). The University has fared better in some years and worse in others, when compared to inflation, but until this decade, total core funding generally kept pace with inflation. After 2000-01, the University experienced a precipitous decline over several years in funding per student when compared to the price index. The University is deeply concerned about this trend. The importance of sufficient funding to maintain quality cannot be overstated. The erosion of the University's resources must be halted if the educational quality of the University is to be preserved.

Underlying the level of core funding relative to inflation, however, is the shift in the distribution of that funding among State support, UC General

DISPLAY II-7: PER STUDENT AVERAGE EXPENDITURES FOR EDUCATION
(2009-10 DOLLARS)

Since 1990-91, average inflation-adjusted expenditures for educating UC students declined 25%. The State's share of expenditures plunged even more steeply – by 54%. Over this period, the student share, net of financial aid, has tripled, from 13% to 40%.



Fund sources, and student fees. Display II-7 shows the core funding components of UC average per student expenditures for education in inflation-adjusted (HEPI) dollars and yields several key findings:

- The average expenditure per student for a UC education has declined over 19 years — by 25%, from $20,990 in 1990-91 to $15,820 in 2009-10.
- State funding per student declined significantly — by 54% over a 19-year period. In 1990-91, the State contributed $16,430 per student — 78% of the total cost. In 2009-10, the State share declined to $7,570, just 48%.
- As the State subsidy has declined, the share students pay has tripled. In 1990-91, students contributed 13% toward their education; after 2009-10 mid-year fee increases, students will pay 40% of the cost of their education.

These findings raise several additional points. First, the funding gap that has developed since 1990-91 represents lost support totaling more than $1 billion. Although the University has struggled to meet the challenge presented by this substantial decline in State funding, it must be recognized that certain elements of the educational, research, and public service functions have been steadily sacrificed in order to preserve the core missions of the University. It is unrealistic to assume that cuts of this magnitude sustained over time will not damage the state's brain trust, the California economy, and individual students' chances for educational advancement.

Second, recent national news coverage about skyrocketing costs of college tuition masks what has really happened at UC. Expenditures per student have not increased, but rather have fallen (in constant dollars). Instead, fees paid by students have risen as funding from the State has declined. Student fee increases have helped maintain quality, but have not fully compensated for the loss of State funds. Under better circumstances, if the State subsidy had not declined, student fees would have remained low.

Third, despite rising fees for students, the University has striven to maintain student access and affordability. While fees have increased, the University has provided significant increases in financial aid to help ensure access for low-income students. UC has maintained affordability for lower-income students by sustaining a strong financial aid program.

Self-supporting Enterprises: Services and Auxiliaries

Fully 45% of the University's current budget consists of revenues from self-supporting enterprises operated by the University in support of its instruction, research, and public service missions. Such enterprises include the University's academic medical centers and clinics; auxiliary enterprises such as housing and dining services, parking facilities, bookstores, and intercollegiate athletics; University Extension; and other complementary activities such as museums, theaters, conferences, and scholarly publishing. Revenues from these activities are restricted — operations are market-driven and face many of the

same cost and revenue pressures occurring in the private sector. Revenues are tied not only to the quality of the direct services and products being provided, but also to the price the market will bear. The excellence of the core mission operation of the University also plays a role. Damage to UC's core operations will have ripple effects to other activities.

Teaching Hospitals

The University's academic medical centers generate three types of revenue:

- **Patient service revenues** are charges for services rendered to patients at a medical center's established rates, including rates charged for inpatient care, outpatient care, and ancillary services. Major sources of revenue are government-sponsored health care programs (i.e., Medicare, Medi-Cal), commercial insurance companies, managed care and other contracts, and self-pay patients.
- **Other operating revenues** are derived from the daily operations of the medical centers as a result of non-patient care activities, such as cafeteria sales and parking fees. Another major source is Clinical Teaching Support ($43.8 million in 2008-09), provided by the State to help pay for the costs of teaching programs at the hospitals.
- **Non-operating revenues** result from activities other than normal operations of the medical centers, such as interest income and salvage value from disposal of a capital asset.

Medical center revenues are used for operating expenses, including salaries and benefits, supplies and services, workers' compensation and malpractice insurance, and other expenditures. Remaining revenues are used to meet working capital needs, fund capital improvements, and provide a reserve for unanticipated downturns.

Expenditures of hospital income for current operations are projected to total $5.2 billion during 2009-10. The *Teaching Hospitals* chapter of this document discusses problems confronting the medical centers and how those problems have been, and will continue to be, addressed.

Auxiliary Enterprises

Auxiliary enterprises are non-instructional support services provided primarily to students, faculty, and staff. Programs include student residence and dining services, parking, intercollegiate athletics, bookstores, and faculty housing. No State funds are provided for auxiliary enterprises; revenues are derived from fees directly related to the costs of goods and services provided. Expenditures for auxiliary enterprises are estimated to total $1 billion in 2009-10.

University Extension, Other Self-supporting Educational Programs, and Other Campus Fees

In addition to the fees charged for regular degree programs, the University also generates fee revenue from enrollment in University Extension courses and self-supporting graduate and professional degree programs, and enrollment of non-UC students in summer instruction. These programs are entirely self-supporting; they receive no State funding and fees are charged to cover the full costs of offering the courses and programs. Programs are dependent upon user demand. Campuses also charge fees for a variety of student-related expenses not supported by mandatory systemwide fees, such as student health insurance fees and course materials fees. Income from University Extension, other self-supporting instructional programs and other campus fees is projected to be $551.9 million in 2009-10.

Educational and Support Activities

Income from sales and services of educational and support activities is projected to total $1.73 billion in 2009-10. This includes income from the health sciences faculty compensation plans and a number of other sources, such as neuropsychiatric hospitals, the veterinary medical teaching hospital, dental clinics, fine arts productions, museum ticket sales, publication sales, and athletic facilities

users. Similar to auxiliary enterprises and teaching hospitals, revenues are generally dedicated to support the activity operations.

Government Contracts, Grants, and Agency Appropriations

Contract and grant activity generates more than $4 billion in revenue for the University and plays a key role in the University's position as a major driver of the California economy. Government sources, including the Department of Energy and other federal agencies, state agencies, and local governments, are significant providers of contract and grant funding. Contract and grant activity that is codified in legislation or based on long-standing agency agreements is permanently budgeted. In addition, non-permanent extramural funds are provided for specified purposes. The majority of this funding supports research or provides student financial aid.

Federal Funds

Federal funds provide support for the University in three primary ways: federal research contracts and grants, student financial aid, and federally-funded health care programs.

Federal funds are the University's single most important source of support for research, generating $1.8 billion and accounting for nearly 50% of all University research expenditures in 2008-09. While UC researchers receive support from virtually all federal agencies, the National Institutes of Health and the National Science Foundation are the two most important, accounting for nearly 80% of UC's federal research contract and grant awards in 2008-09. In the past, federal funds for UC research have grown dramatically, but in recent years, increases have been modest due to constraints on federal spending. However, the federal economic stimulus bill includes significant new funding for federal agencies that will support academic research, and the University expects that UC

FEDERAL INDIRECT COST REIMBURSEMENT

All federal contract and grant activity generates costs which are divided into two basic categories — direct and indirect. Direct costs are those expenditures that can be identified as directly benefiting and directly charged to a specific contract or grant. Indirect costs are those expenses which cannot be specifically identified as solely benefiting one particular contract or grant, but instead are incurred for common or joint objectives of several contracts or grants. Because these costs are not charged against a specific contract or grant, indirect costs initially must be financed by University funds, with reimbursement based on rates negotiated for each campus later provided by the federal government.

The University has an agreement with the State regarding the disbursal of federal reimbursement. Pursuant to this agreement, the first 19.9% of the reimbursement accrues directly to the University for costs of contract and grant administration in campus sponsored projects offices, academic departments, and research units. This is the source of the University's Off-the-Top Fund, estimated to be $124 million in 2009-10.

The remaining 80% of the federal reimbursement is split into two funds. The first 55% is budgeted as UC General Funds. It is used, along with State General Funds and student fee revenue, to help fund the University's basic budget (estimated to be $274 million in 2009-10). Since 2000, 94% of any increase generated is returned directly to source campuses. The remaining 6%, along with the amount generated prior to 2000, is pooled with all other General Funds and used to support base budget cost increases and special initiatives.

The remaining 45% is the source of the University Opportunity Fund (estimated to be $224 million in 2009-10). Approximately 6% of these funds supports special programs like the California Institutes of Science and Innovation, systemwide activities such as the Education Abroad Program and the Washington Academic Center, and other university-wide programs; the remainder is returned to source campuses.

In 1990, the State approved legislation (SB 1308, Garamendi) authorizing the use of indirect cost reimbursement for the acquisition, construction, renovation, equipping, and ongoing maintenance of certain research facilities and related infrastructure. Under the provisions of the legislation, the University is authorized to use the reimbursement received as a result of new research conducted in, or as a result of, the new facility to finance and maintain the facility. A total of 19 facilities have been fully financed using this mechanism.

researchers will attract hundreds of millions of new research dollars in the next several years.

Indirect cost recovery funding reimburses the University for costs of facilities and administration associated with research activity, but that cannot be identified as solely benefitting a particular contract or grant. During 2009-10, indirect cost recovery funding from federal contract and grant activity will exceed $600 million and is dedicated to support contract and grant administration, core mission activities (as UC General Funds) and special programs. Federal funds for research are discussed in more detail in the *Research* chapter.

In addition to research contracts and grants, federal funds entirely support the Lawrence Berkeley National Laboratory, for which UC has management responsibility. This support is projected to be $672.8 million in 2009-10.

In 2007-08, UC students received more than $1.16 billion in federal financial aid, including $274.7 million in gift aid and the remainder in the form of loans and work-study. The significance of the federal loan programs for UC students is demonstrated by the fact that these programs comprise more than three-quarters of all federally funded aid and 37% of the total financial support received by UC students in 2007-08. Federal aid also assists undergraduate and graduate students through a variety of other programs. Needy students are eligible for federally-funded grant programs such as Pell Grants and they may seek employment under the Federal Work-Study Program, through which the federal government subsidizes up to 75% of a student employee's earnings. Graduate students receive fellowships from a number of federal agencies such as the National Science Foundation and the National Institutes of Health. The *Student Financial Aid* chapter provides additional detail.

Finally, as mentioned earlier, federally-supported health care programs provide significant funding to the University's medical centers for patient care.

State Agency Agreements

Similar to federally-sponsored research, California state agencies provide contracts and grants to the University for a variety of activities. The largest area is research, but these agreements also support public service and instruction. These agreements are expected to generate $285.9 million in revenue for the University during 2009-10. Major providers of state agency agreements are the health care services, social services, transportation, food and agriculture, and education departments. Indirect cost recovery on State agency agreements is treated as UC General Fund income and supports the University's core mission activities.

State Special Funds

In addition to State General Fund support and state agency contracts, the University's budget for 2009-10 includes $65.1 million in appropriations from State special funds. These include:

- $26.8 million from the California State Lottery Education Fund, which is used to support instructional activities,
- $13.1 million from the Cigarette and Tobacco Products Surtax Fund to fund the Tobacco-Related Disease Research Program,
- $13.6 million for the Breast Cancer Research Program, also funded from the Cigarette and Tobacco Products Surtax Fund and from the Breast Cancer Research Fund, which derives revenue from the personal income tax check-off,
- $1.6 million from the Health Care Benefits Fund for analysis of health care-related legislation,
- $980,000 from the Public Transportation Account for support of the Institute of Transportation Studies,
- $3.0 million from the Earthquake Risk Reduction Fund and the Oil Spill Response Trust Fund,
- $5.4 million in reimbursements for lease revenue bond repayments, and

- $500,000 for cancer research from the California Cancer Research Fund and the California Ovarian Cancer Research Fund.

Private Support and Endowment Earnings

Private funds include gifts, private grants, and private contracts. Gifts and private grants are received from alumni, friends of the University, campus-related organizations, corporations, private foundations, and other nonprofit entities, with foundations providing nearly half of total private gift and grant support. Private contracts are entered into with for-profit and other organizations to perform research, public service, or other activities.

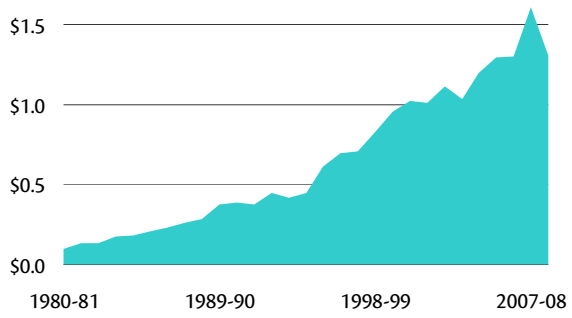
Private Gifts and Grants

Private funds, even gift funds, are highly restricted by funding source and provide support for instruction, research, campus improvements, and student financial support, among other programs. In recent years, approximately 98% of new gifts received by UC are restricted in their use.

Since 1990, the University has experienced large, steady increases in private gifts received. In 2008-09, new gifts and private grants to the University totaled $1.3 billion, the second highest total in UC history, but below the previous year record total of $1.6 billion. This decrease is attributable to the current financial climate. Nevertheless, the University's remarkable achievement in obtaining private funding in recent years — even during state and national economic downturns — is a testament to UC's distinction as a leader in philanthropy among the nation's colleges and universities, and the high regard in which its alumni, corporations, foundations, and other supporters hold the University. In 2009-10, expenditures of gifts, private grants and contracts to the University are estimated to be $1.4 billion, similar to expenditures in 2008-09. However, because of current economic and market conditions, this estimate may be optimistic.

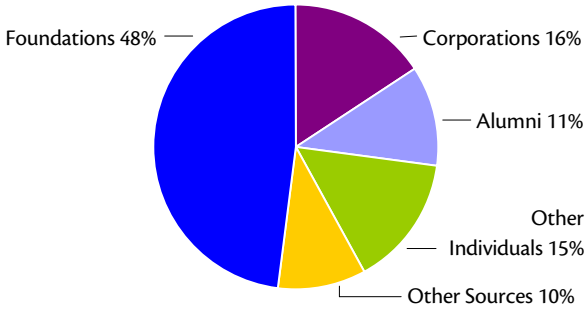
DISPLAY II-8: PRIVATE GIFT AND GRANT SUPPORT
(DOLLARS IN BILLIONS)

New private gift and grant support for UC has exceeded $1 billion per year for the last nine years. Gifts and pledge payments totaled $1.3 billion during 2008-09, slightly below the previous year's record total of $1.6 billion.



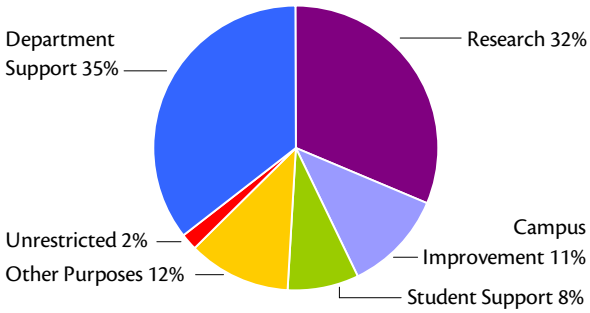
DISPLAY II-9: 2008-09 PRIVATE GIFT AND GRANT SUPPORT BY SOURCE

More than half of gift and grant support to the University is provided by foundations and corporations.



DISPLAY II-10: 2008-09 PRIVATE GIFT AND GRANT SUPPORT BY PURPOSE

Academic departments and research receive two-thirds of private gift and grant support, and health science disciplines receive nearly half of all private support.



Endowments

Combined Regents and campus foundation endowments were valued at $9.6 billion as of June 2008. Final values for combined endowments for 2008-09 will be presented to the Regents in January 2010, although market volatility suggests a decrease in the endowments. For example, the Regents General Endowment Pool (GEP) declined by 17.7% during fiscal year 2008-09.

Just as the use of private gifts for current expenditures is highly restricted by donor terms, expenditures of endowment payouts are also highly restricted, but support a range of activities, including endowed faculty chairs, financial aid, and research. Approximately 95% of UC's overall endowment is restricted, contrasted with 80% for most public institutions and 55% for private institutions.

In 1998-99, The Regents approved a payout rate based on the total return of the GEP over the previous 60 months, with a long-term target rate set at 4.75%. This policy is intended to smooth annual payouts and avoid significant fluctuations due to market conditions. In 2008-09, the expenditure of the payout distributed on endowments and similar funds was $188.2 million from the Regents' Endowments (excludes payout from campus foundations). For 2009-10, payout expenditures are projected to total $190.5 million.

Private Contracts

In 2008-09, awards from private contracts totaled $608 million. Over the last ten years, awards have more than doubled, making private contracts an increasingly important source of University funding. However, in the current economic climate, increases in private contracts may slow. These contracts, which primarily support research purposes, include clinical drug trials with pharmaceutical and health care organizations, as well as agreements with other agencies, including higher education institutions.

Other Fund Sources

DOE Management Fee Revenue

As compensation for its oversight of the DOE National Laboratories at Berkeley, Livermore, and Los Alamos, the University earns management fees which can be used to support other activities. Performance management fees from Lawrence Berkeley National Laboratory (LBNL) are gross earned amounts before the University's payments of unreimbursed costs. In contrast, net income from the Los Alamos National Security LLC (LANS) and Lawrence Livermore National Security LLC (LLNS) reflects fee income remaining after payment of unreimbursed costs at the two laboratories. For 2010-11, estimated income will total $37.5 million from performance management fees from LBNL (up to $4.5 million) and an estimated share of the LANS and LLNS net income ($33 million).

Management fee revenue related to LBNL is used for costs of oversight, research programs, reserves for future claims, and unallowable costs associated with LBNL. Per Regental approval, revenue from LANS and LLNS will be used to provide supplemental income to select LANS employees, to cover unreimbursed oversight and post-contract costs, and to support a variety of University research programs. Further information about DOE Laboratory Management activity and revenue can be found in the *Laboratory Management* chapter of this document.

Contract and Grant Administration

Contract and Grant Administration funds, also referred to as "Off-the-Top" funds currently represent 19.9% of the total indirect costs recovered under federal awards after the set-aside for Garamendi projects funding. The fund is allocated by the President to the campuses based on the net indirect cost recovery of the individual campus. Pursuant to agreement with the State, "Off-the-Top" funds must be used for costs related to federal contract and grant administration,

including federal governmental relations, cost and financial analysis, sponsored projects offices, costs resulting from federal cost disallowances, and "any additional costs directly related to federal contract and grant activity as mutually agreed to by the University and the State."[1]

University Opportunity Fund

The University Opportunity Fund, which consists of a share of federal indirect cost recovery funds, is used to fund programs and services that are not adequately supported from State funds. Allocations to campuses from the University Opportunity Fund are based on the amount of indirect cost reimbursement generated by the campus. This approach represents a reinvestment in research and an incentive to further develop the University's research capacity. Each campus has discretion as to the use of University Opportunity Funds. Generally, campuses have used Opportunity Funds to enhance faculty recruitment packages through laboratory alterations, equipment purchases, and support for graduate student researchers, to provide innovative instructional programs, including the Education Abroad and Washington Academic Center program, and to augment funding for capital outlay and other institutional support.

Other Sources

Other University funds include restricted sources such as intellectual property royalty revenue distributed to campuses and inventors, as well as other revenues that are not categorized elsewhere.

Intellectual Property Royalty Income. Income derived from royalties and fees, less the sum of payments to joint holders and less net legal and direct expenses, is distributed in various shares as required under University and campus policies.

Patent fund royalties fluctuate significantly from year to year; budget estimates are based upon prior year experience. This revenue appears in the University budget in two categories: as a component of UC General Funds and under Special Funds Income-Other. Income distributions totaled $126.3 million in 2007-08, the most recent year for which data are available. While 1,866 inventions generated royalty and fee revenue (excluding litigation settlements), the 25 most profitable inventions collectively accounted for more than 75% of total revenues.

- **Inventor Shares:** The University Patent Policy grants inventors the right to receive 35% of net income accruing to individual inventions. In 2007-08, 1,818 inventors received $48.1 million.
- **General Fund Share:** In 2007-08, the portion of net income allocated to the UC General Fund was $19.5 million, equal to 25% of the amount remaining after deducting inventor shares.
- **Research Allocation Share:** The current policy requires that 15% of net income from each invention be designated for research-related purposes at the inventor's campus or Laboratory. This allocation totaled $2.5 million in 2007-08.
- **Income after Mandatory Distributions:** All income remaining after deductions and other distributions is allocated to the campuses. These funds, totaling $56.2 million in 2007-08, are used by the Chancellors to support education and research priorities.

[1] *Memorandum of Understanding between the University and the State Department of Finance for Disposition of Receipts from Overhead on Federal Government Contracts and Grants.*

"UC, like California, creates opportunity by attracting the kind of thinkers that can turn an impossible challenge into a new possibility."

—Lawrence Pitts
University of California
Interim Provost

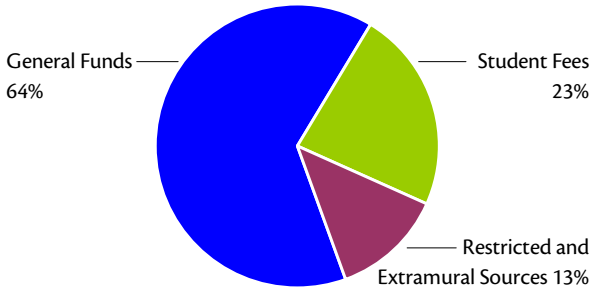
GENERAL CAMPUS INSTRUCTION

Consistent with the California Master Plan for Higher Education, the University provides undergraduate, professional, and graduate academic education through the doctoral degree level and serves as the primary State-supported academic agency for research. A fundamental mission of the University is to educate students at all levels, from undergraduate to the most advanced graduate level, and to offer motivated students the opportunity to realize their full potential. The University strives to accommodate all qualified undergraduates and provide programs for graduate academic and professional students in accordance with standards of excellence and the growing needs of California, the tenth largest economy in the world. To do this, the University must maintain a core of well-balanced, quality programs and provide support for newly emerging and rapidly developing fields of knowledge.

In recent years, the University's budget plans were based on the Higher Education Compact with Governor Schwarzenegger. The key funding provision of the Compact related to general campus instruction was support for enrollment growth of 2.5% per year through the end of this decade. This growth rate represented an increase of more than 5,000 full-time equivalent (FTE) students annually at UC and would have allowed UC to achieve enrollment levels consistent with earlier projections. Under the Compact, the State was expected to provide funding for this enrollment growth at the agreed-upon marginal cost of instruction as adjusted annually. As explained later in this chapter, due to the current fiscal crisis, the 2008-09 and 2009-10 State budgets provided no new resources for enrollment growth. As a result, the University is significantly over-

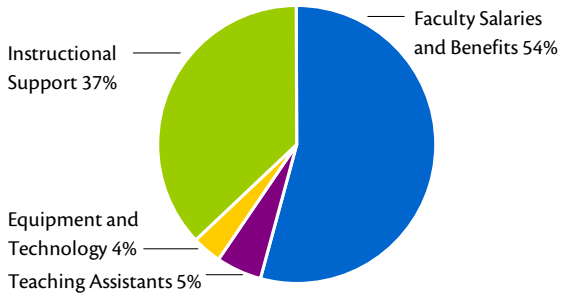
DISPLAY III-1: 2008-09 GENERAL CAMPUS INSTRUCTION EXPENDITURES BY FUND SOURCE

Core funds – State General Funds, UC General Funds, and mandatory and professional school student fees – provide 87% of funding for general campus instruction. Other significant sources include endowment earnings and self-supporting program fees.



DISPLAY III-2: 2008-09 GENERAL CAMPUS INSTRUCTION EXPENDITURES BY CATEGORY

More than half of expenditures in general campus instruction are for faculty salaries and benefits.



enrolled and in 2009-10, the University is enrolling 14,000 FTE students more than the State-funded enrollment target in 2007-08, the last year for which enrollment growth funding was provided. This year (2009-10), the University took action to slow enrollment growth by reducing the size of the incoming freshman class. For 2010-11, the University proposes to further reduce the freshman class, while slightly expanding access for California Community College transfer students, to begin to reduce total enrollment to a level more consistent with resources. While acknowledging that access is important, the University cannot indefinitely accommodate larger numbers of students without adequate resources to provide them a UC-caliber education.

Despite the effort to reduce total enrollments, the University will continue to expand enrollment at the newest campus at UC Merced. The campus officially opened in 2005-06 and is enrolling more than 3,400 students during 2009-10. Development of UC Merced is part of the University's strategy to increase statewide enrollment capacity, enhance access to students in the San Joaquin Valley, and provide the benefits of an additional research university to all Californians.

Instructional Program Overview

The general campus Instruction and Research (I&R) budget includes direct instructional resources associated with schools and colleges located on the nine UC general campuses.[1] The I&R base budget totals $2.2 billion in 2009-10, more than 85% of which comes from core fund sources (State General Funds, UC General Funds, and student fees). Additional resources for instruction are derived from self-supporting program fees, course materials fees, and other

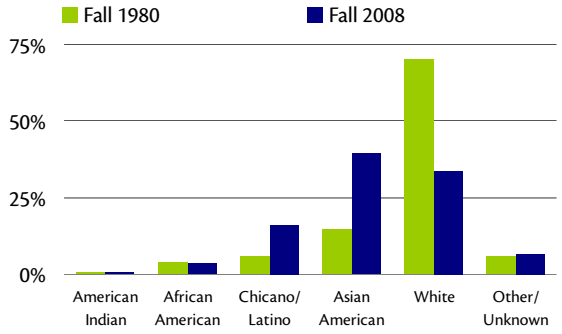
[1] The San Francisco campus offers health sciences programs exclusively. Health science programs are discussed in the *Health Science Instruction* chapter of this document.

DISPLAY III-3: CHARACTERISTICS OF FALL 2008 UNDERGRADUATE STUDENTS

Headcount Enrollment	173,078
▪ Female	54%
▪ Underrepresented minority	20%
▪ First-generation college students	39%
▪ Full-time students	97%
▪ California residents	94%
▪ Domestic nonresidents	4%
▪ International students	2%

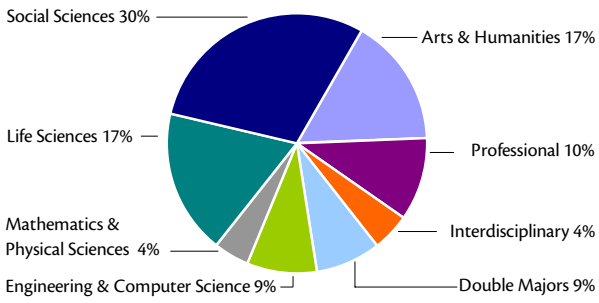
DISPLAY III-4: DISTRIBUTION OF DOMESTIC UNDERGRADUATE STUDENTS BY RACE/ETHNICITY

Since 1980, the proportions of Chicano/Latino and Asian American students among UC undergraduates have nearly tripled.



DISPLAY III-5: 2008-09 BACHELOR'S DEGREES CONFERRED BY BROAD DISCIPLINE

In 2008-09, UC undergraduates earned 42,700 bachelor's degrees. Nearly one-third were earned in sciences, mathematics, technology, and engineering.



restricted sources. Major budget elements and their proportions of the general campus I&R base budget are: faculty and teaching assistant salaries and benefits, 59%; instructional support, 37%, which includes salaries and benefits of instructional support staff such as laboratory assistants, supervisory, clerical, and technical personnel, some academic administrators, and some costs of instructional department supplies; and funds for instructional equipment replacement and technology, 4%.

The University offers bachelor's, master's, and doctoral degrees in over 800 instructional programs spanning more than 150 disciplines from agriculture to zoology, as well as many emerging interdisciplinary fields, and professional degrees in 12 disciplines. The Academic Senate of the University authorizes and supervises courses offered within instructional programs, and also determines the conditions for admission and the qualifications for degrees and credentials. The University began awarding degrees in 1870 and annually confers nearly 57,000 degrees.

Enrollment

The Higher Education Compact with Governor Schwarzenegger included the commitment to provide UC with funding for enrollment growth consistent with access under the Master Plan for Higher Education. Funding for enrollment growth provides the base resources necessary to recruit excellent faculty and maintain top quality instructional programs, and thus remains among the University's highest priorities.

State Support for Enrollment Growth

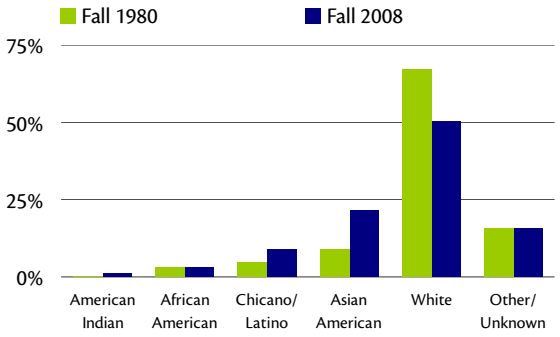
In a normal year, the State provides funding for each additional FTE student added to the University's current budgeted enrollment level based on an amount known as the "marginal cost of instruction." The marginal cost of instruction formula includes salary and benefits for additional faculty positions (based on the current budgeted

DISPLAY III-6: CHARACTERISTICS OF FALL 2008 GRADUATE STUDENTS

Headcount Enrollment	52,962
▪ Female	48%
▪ Underrepresented minority	10%
▪ California residents	74%
▪ Domestic nonresidents	9%
▪ International students	17%

DISPLAY III-7: DISTRIBUTION OF DOMESTIC GRADUATE STUDENTS BY RACE/ETHNICITY

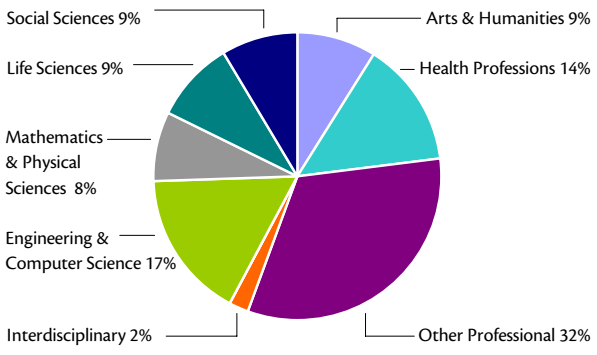
Since 1980, the proportion of Chicano/Latino students among UC graduate students has grown nearly 120%, while the proportion of Asian students has grown by 160%.



DISPLAY III-8: 2008-09 GRADUATE DEGREES CONFERRED BY BROAD DISCIPLINE

In 2008-09, UC awarded 14,890 master's, doctoral, and professional degrees. Nearly half were in sciences, mathematics, engineering, and health professions.

▪ Master's degrees	9,125
▪ Doctoral degrees	3,768
▪ Professional degrees	1,997



student-faculty ratio of 18.7:1); related instructional support such as clerical and technical personnel, supplies, and equipment; support for teaching assistant positions; institutional support; and support for operation and maintenance of plant, libraries, and student services. The calculation does not include funding for activities within these categories that the State has chosen not to support. Specifically excluded from the marginal cost calculation is support for student health services, plant administration, executive management, and logistical services. The calculation reflects the State subsidy provided toward the cost of education as well as the portion of this cost that is paid from student fees. Before the significant cuts in State funding imposed in 2009-10, the estimated State marginal cost share was about $11,000 per FTE student.

Accommodating Enrollment Growth

The California Master Plan for Higher Education calls for UC to offer access to all eligible applicants in the top 12.5% of the state's high school graduating class who choose to attend. University policy has been to establish eligibility criteria designed to identify the top 12.5% of the high school class and to guarantee admission to all applicants who meet the eligibility requirements and apply on time, though not necessarily at the campus or in the major of first choice. In addition, the Master Plan calls for UC to guarantee a place for all California Community College transfer applicants who meet eligibility requirements. To enable the University to fulfill these access provisions, the Master Plan calls for the State to provide adequate resources to accommodate this enrollment. The University remains committed to the Master Plan as the foundation for one of the finest higher education systems in the world. The interests of the state, its citizens, and the higher education segments in California have been well-served by the Master Plan for 50 years. Legislative reviews of the Master Plan in 1989 and 2002 have maintained its basic tenets, explicitly reaffirming the access guarantee for all eligible students.

Framers of the Master Plan also envisioned maintaining or enhancing the proportion of graduate student enrollment at UC. For several decades, a compelling State priority has been placed on providing undergraduate access for the rapidly growing high school graduate population. However, adherence to this priority has not been without some consequences for the overall academic balance of the University and its impact on the state's supply of highly-skilled workers needed in California's knowledge-based economy. While the University has expanded access for undergraduates, graduate and professional enrollments have not always kept pace, as was intended in the Master Plan.

Before the current crisis, the University was planning for continued growth in graduate and professional as well as undergraduate enrollments through 2010-11, as discussed in the *Cross-Cutting Issues* chapter. Demand for undergraduate enrollment growth is projected to slow after 2010-11 compared to the dramatic growth that has occurred over the last 12 years. As undergraduate growth slowed, the University had been planning for significant growth in graduate and professional enrollments through the next decade in order to meet the state's need for highly-skilled and specialized workers. The UC Commission on the Future, established earlier this year, will review the University's long-range enrollment goals in the coming months. The University's most recent long-range enrollment projections and the scope of the Commission's work are also discussed more fully in the *Cross-Cutting Issues* chapter of this document.

UC's long-term enrollment projections are based on consideration of four primary factors:

- projections of high school graduates from the Department of Finance;

- assumptions about the proportion of high school graduates who actually enroll in the University (consistent with the Master Plan, the University establishes eligibility criteria designed to identify the top 12.5% of the high school class, but in recent years about 8% actually enrolls);
- assumptions about community college transfer rates, consistent with the University's goal to continue to improve these rates; and
- increases in graduate and professional enrollment needed to meet workforce needs in academia, industry, and other areas.

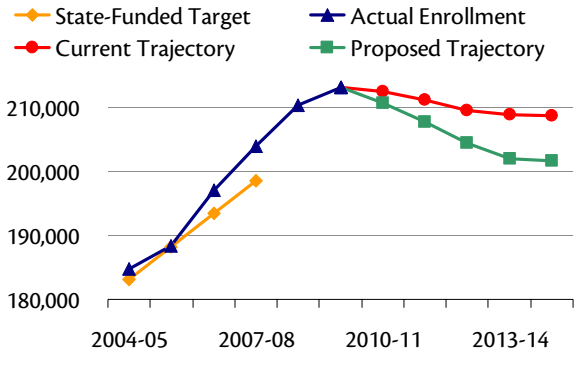
The University's 1999 long-term enrollment plan called for annual enrollment growth of about 5,000 FTE over this decade; by 2010-11, the University would reach its planned target of 216,500 FTE. At the beginning of this decade, the University experienced far more rapid enrollment growth than projected in the 1999 plan, averaging closer to 8,000 FTE per year rather than the 5,000 FTE projected earlier. The Compact negotiated in 2004 called for UC to return to its earlier estimates of 2.5% enrollment growth per year, which allowed the University to resume enrolling students at levels near those envisioned in the 1999 plan. Funding for this growth was included in the 2005-06, 2006-07, and 2007-08 budgets. However, due to substantial demand for enrollment from growing numbers of high school graduates and community college transfers, the University was significantly over-enrolled in both 2006-07 and 2007-08.

In developing the 2008-09 and 2009-10 Governor's Budgets, the Department of Finance first "funded" a normal workload budget consistent with the Compact with the Governor, including funding for 5,000 FTE enrollment growth each year, and then proposed reductions to those workload budgets to address the State's fiscal situation. As explained elsewhere, in both years, the University was left with State funding significantly reduced from the 2007-08 level. Without new State funding to support enrollment growth, but in keeping with its commitment to the California Master Plan and undergraduate applicants who had worked hard to become eligible for admission, in 2008-09, the University made a decision to ask that campuses, to the best of their ability, implement the enrollment increases that had been included in the Governor's Budget before the cuts were taken. This enrollment growth, including growth planned in MD students in the PRIME programs, was funded through an internal redirection of existing resources. As a result of this action, and because recent incoming classes have been larger than those graduating, the University's enrollment continued to grow during 2008-09.

In 2009-10, the University took action to slow enrollment growth by reducing the number of new California resident freshmen enrolled by 2,300. To accomplish this, fewer students were admitted to the campus or campuses of their choice and more applications were sent to the referral pool for accommodation at Riverside and Merced. This meant students had fewer campus choices for accommodation at UC and, in some cases,

DISPLAY III-9: ACTUAL AND PROJECTED STUDENT ENROLLMENT

The Compact called for enrollment growth of 2.5% annually through the end of the decade to accommodate Tidal Wave II and expansion of graduate enrollments. Enrollments have grown more rapidly than expected, leading to over-enrollment. In 2009-10, with no new funding from the State to support growth, the University is more than 14,000 students over-enrolled.



chose to pursue their education elsewhere. This freshman reduction was partially offset by a planned increase of 500 California Community College transfer students. The University took this action in order to preserve the transfer option in difficult economic times.

Accommodating enrollment without sufficient resources (except the student fee income associated with enrollments) has meant that new and existing students alike are impacted by the lack of resources to support a high quality academic experience. As outlined in the *Cross-Cutting Issues* chapter of this document, campuses are employing a variety of measures to deal with the budget shortfall – halting the hiring of permanent faculty, reducing numbers of temporary instructors, narrowing course offerings, increasing class sizes, curtailing library hours, and reducing support services for students, all of which are negatively impacting what has historically been an educational program characterized by excellence and opportunity.

During a budget crisis, such steps are necessary. But these actions are not sustainable over a long period of time, if the quality of the University is to be preserved. While acknowledging that access is important, the University cannot indefinitely accommodate larger numbers of students without adequate resources needed to provide them a UC-caliber education.

Therefore, the University must take steps to bring enrollments more in line with the resources provided by the State in order to preserve quality. For 2010-11, freshman enrollments will be reduced by an additional 2,300 students, for a total decrease in the incoming class of 4,600 from the number enrolled in 2008-09. For CCC transfer students and graduate students, 2009-10 enrollment levels will be maintained or slightly increased, in order to meet the University's commitment to transfer access. It may be necessary to further curtail enrollments in future years as well. Even with moderate increases in CCC transfers, this reduction, if sustained over several years, will help decrease total enrollments and bring enrollments to a level consistent with available resources.

UC Merced

UC Merced was established as the 10th campus of the University of California to meet the needs of a significant and rapidly growing area of California — the San Joaquin Valley. The campus was sited in the San Joaquin Valley for several purposes: to increase the Valley's educational levels and the college-going rate of high school graduates; to enhance access to a research university education for students in the Valley; to provide additional opportunity for the diverse California population; and to increase the economic strength of the San Joaquin Valley.

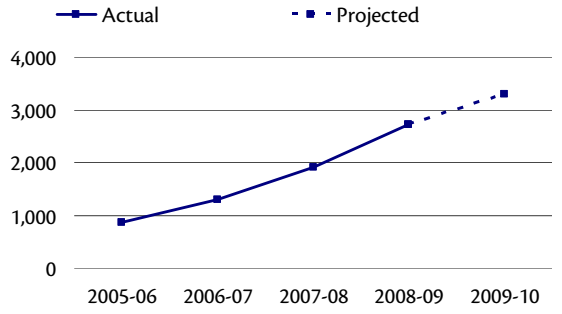
Educational Access

The Merced campus officially opened its doors to freshmen, community college transfer students, and graduate students in 2005-06, and in 2009-10 is enrolling more than 3,400 students. Interest in UC Merced continues to grow and has produced a 22% increase in freshmen choosing UC Merced in Fall 2009 over the prior year, and a 68% increase over Fall 2007. More than 13,000 students applied for admission for Fall 2009. In 2010-11, UC Merced expects to expand by another 600 FTE students, and it is estimated that the campus will reach a population of over 5,000 FTE students by the 2012-13 academic year.

The UC system has experienced unprecedented enrollment growth throughout this decade. UC Merced plays a major role in fulfilling the goals of the Regents and the State to ensure that every eligible student in California is offered a place at UC and to raise the college-going rate in the San Joaquin Valley and beyond. In Fall 2009, over one-third of incoming undergraduates are from the Central Valley region. Moreover, among UC

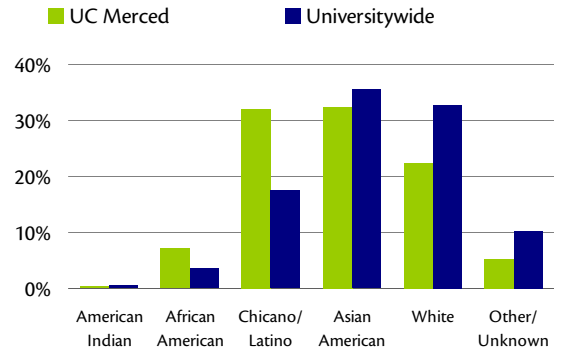
DISPLAY III-10: UC MERCED FTE ENROLLMENT

Enrollment at UC Merced has grown to more than 3,300 FTE students in 2009-10. Interest in UC Merced continues to grow. Enrollment is expected to reach 5,000 FTE students by 2012-13.



DISPLAY III-11: FALL 2008 CALIFORNIA FRESHMEN BY RACE/ETHNICITY

Among UC Merced freshmen, 40% are students from underrepresented groups.



Merced freshmen, almost two-thirds are first-generation college students and 40% are members of underrepresented minority groups. These students will serve as role models for others and help establish a college-going tradition in their families and communities.

As a research university, UC Merced is particularly focused on increasing the number of students in California who complete advanced degrees. In Fall 2009, the graduate student population on the campus has grown to 220 students.

Academic Innovation and Excellence

As the first new research university in the United States in the 21st century, UC Merced is in many ways an educational laboratory, its faculty and students deeply engaged in innovative programs in both education and research. UC Merced's 122 ladder-rank faculty members, drawn from all over the world, are leading the way in developing cutting-edge curricula and charting the way to the introduction of new majors that will support a vibrant range of academic offerings. During 2009-10, students are able to choose from 20 majors and 17 minors. In addition, 10 minors will become majors as more faculty members are hired. Entering freshmen can look forward to greatly expanded curricula as they move toward graduation.

In terms of developing its research enterprise, UC Merced already has demonstrated a remarkable track record. For example, the campus realized a 40% increase in grants and awards in 2008-09 over 2007-08, for a total of $22.0 million dollars, from a variety of federal, state, and private sources, including the National Science Foundation, the California Institute for Regenerative Medicine, the National Institutes of Health, the U.S. Department of Agriculture, and the California Institute for Energy and the Environment. The continued growth in research grants and contracts allows UC Merced's innovative faculty and students to conduct trailblazing, multidisciplinary research in the campus's particular areas of strength, most notably climate change, solar and renewable energy, water quality and resources, artificial intelligence, cognitive science and biomedical topics including stem cell and cancer research. The faculty's stellar accomplishments in these areas are vital to UC Merced's core mission as a research university with a strong commitment to graduate education. All indicators to date suggest that grant and award dollars will rise further in 2009-10.

A distinctive mark on research at UC Merced is being made by its signature organizations: the Sierra Nevada Research Institute, the Merced Energy Research Institute, and the Biomedical

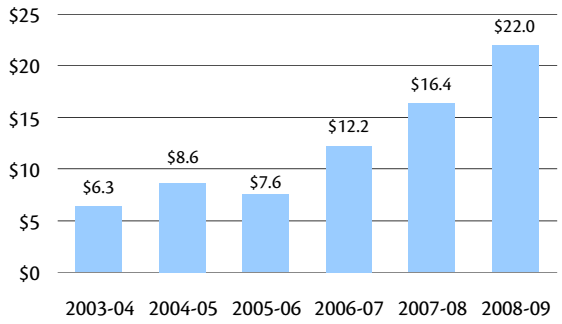
Sciences Research Institute. At UC Merced, undergraduates have a unique opportunity to become involved in research projects, providing them the opportunity for exciting research experiences and accomplishments. As with the instructional programs, UC Merced's research institutes foster collaboration across disciplinary areas — the relationships among environmental science, human health, and environmental and health policy are obvious examples of issues that are particularly important for the San Joaquin Valley. Partnerships with other UC campuses and with entities such as Lawrence Livermore National Laboratory, Sequoia and Kings Canyon National Parks, and Yosemite National Park enhance education and research at UC Merced.

Economic Development

UC Merced serves the San Joaquin Valley as an economic engine. As the employer of more than 1,455 staff and faculty and a major user of local services, the campus continues to be a significant and growing contributor to the regional economy. In addition to State and student fee funding for instruction, research dollars awarded to UC Merced, which would otherwise not come to the San Joaquin Valley, reached $22 million in 2008-09 with growth expected to continue rapidly. Grant funds positively impact the economic base of the local community as salaries make up a significant portion of the expenses in UC Merced's grant and contract spending activity. Salary and other dollars stay in the local economy and contribute to housing, retail and other spending. Some of the grant money awarded to UC Merced in 2008-09 directly benefits the region in the form of outreach programs, including efforts designed to increase the area's college-going rates and prepare San Joaquin Valley students for the challenges of university-level coursework. Most importantly, the campus will produce an educated workforce that will benefit the region and the State of California for years to come.

DISPLAY III-12: FEDERAL AND PRIVATE RESEARCH AWARDS TO UC MERCED
(DOLLARS IN MILLIONS)

UC Merced and its faculty are attracting significant research dollars to the San Joaquin Valley. As student enrollment grows and more faculty are hired, research awards should also continue to rise rapidly.



Supplemental One-Time Funding

While the Merced campus has developed and through these initial years of enrollment, supplemental funds have been required for faculty salaries and recruitment costs, as well as instructional technology, library materials, and expanded general support needed to fully operate the campus. In recent years, the State has provided one-time allocations to help support start-up costs. This funding was $14 million in 2005-06, 2006-07, and 2007-08. Per agreement with the State, funding declined to $10 million in 2008-09 and to $5 million in 2009-10, the final year of supplemental State support.

Faculty Excellence

By any measure, the University of California faculty is among the best and brightest internationally, leading the world in research excellence and productivity at public institutions. UC faculty members deliver excellence in instructional programs, research productivity, professional leadership, and public service. Our faculty fulfills the University's goals on behalf of the State of California by:

- educating the workforce to keep the California economy competitive;

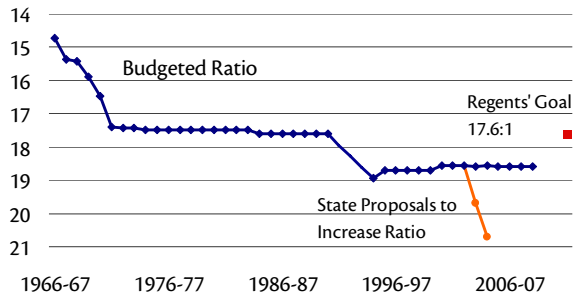
- attracting billions of research dollars, creating new products, technologies, jobs, companies, advances in health care, and improvements in the quality of life;
- translating scientific discoveries into practical knowledge, technological innovations, and advanced health care delivery.

UC employs more than 9,000 ladder rank faculty who are charged with teaching, research, and public service. Additionally, the University employs lecturers, adjunct and visiting faculty, and others to provide depth and breadth in fulfilling its teaching mission. In 2008-09, faculty salary expenditures (from all revenue sources including state funds, student fees, contracts and grants, gifts and endowments, and clinical services) totaled $2.1 billion dollars.

Since 1994, the University has maintained a budgeted student-faculty ratio of 18.7:1. Before the cuts of the early 1990s, the University's student-faculty ratio was 17.6:1; the deterioration in the ratio represented about 500 faculty members. Preserving and ultimately improving the student-faculty ratio at the University has been among the highest priorities of The Regents. Improved student-faculty ratios would permit the University to offer both smaller class sizes in some subjects, thereby improving the quality of the educational experience, and a wider range of courses, which will help students complete requirements and graduate more quickly. A sufficient student-faculty ratio also increases opportunities for contact outside the classroom, guidance in internships and placements, and undergraduate participation in research and public service. During the fiscal crisis at the beginning of this decade, the University took a series of budget cuts in academic programs, including a total of $70 million in reductions targeted to increase the student-faculty ratio. While UC instead took these cuts as unallocated reductions, cuts in core support have meant that campuses did not have funds to hire sufficient numbers of faculty or to address critical areas of instructional and other core support need. Such reductions have made it difficult for campuses to maintain the instructional support necessary to provide a high quality education.

DISPLAY III-13: BUDGETED GENERAL CAMPUS STUDENT-FACULTY RATIO

State cuts have deteriorated the University's student-faculty ratio. The University's long-term goal is to improve the ratio to 17.6:1, from the current level of 18.7.



With funding provided as part of the Compact in 2005-06, 2006-07, and 2007-08, the University committed $10 million annually toward restoring the $70 million that had been eliminated from the University's instruction budget in 2003-04 and 2004-05. Due to the inability of the State to provide Compact funding in 2008-09 and 2009-10, no additional funds were committed.

Maintaining the quality of the faculty is critical to both the University and the State. Due to the significant State funding reductions during the last two years, campuses have largely been obligated to suspend efforts to recruit new faculty. Instead, positions are being held open until the funding resources to support faculty are identified. This means that campuses have fewer faculty to teach courses, and in turn are eliminating course sections, narrowing course offerings, and increasing class sizes. Faculty resources are further stretched thin due to departmental and campus-wide academic leadership responsibilities being shared by a smaller faculty workforce.

New funds will allow campuses to restart searches and fill faculty positions, and restore instructional support funding. If State funding is provided, the University will return to its earlier plan to restore instructional support budgets with another investment of $10 million.

Maintaining Freshman Student Access

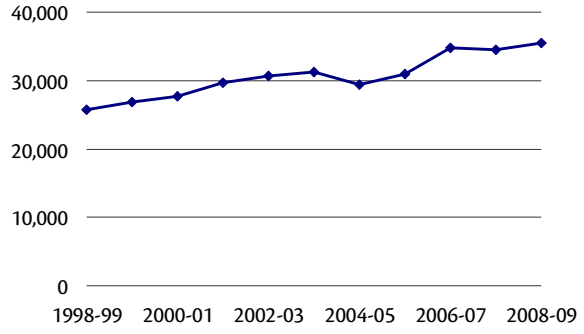
The University has maintained its commitment to the Master Plan for Higher Education to provide a place on at least one of the UC campuses for all eligible California applicants who wish to attend. In recent years, applications for freshman admission from California high school seniors have grown significantly and UC has grown to accommodate all eligible students. Campuses received applications for Fall 2009 admission from more than 80,000 California high school seniors, a one-year increase of 1.6%. This increase, in a year when the number of California public high school graduates was expected to decline, indicates the continuing demand among California's young people for access to the University of California. In January 2009, the Board of Regents adopted the President's recommendation to reduce freshman enrollment targets by 2,300 students. Consistent with those targets, UC decreased admissions of California high school seniors by 2.5%. The University will enroll approximately 33,100 new California freshmen in 2009-10, down from 35,250 in 2008-09, a reduction of 2,150.

Eligibility Policies

Consistent with the Master Plan for Higher Education, UC's policy is to provide access for all students who meet the University's eligibility criteria, designed to capture the top 12.5% of public high school graduates, and who wish to attend, although a student may not be offered a place at the campus or within the major of choice. Eligibility for UC as a freshman entrant is based on three factors: subject competency demonstrated by completion of 15 year-long courses in the 'a-g' academic disciplines; scholarship, as measured by grade point average in 'a-g' courses during the sophomore and junior years; and performance on the SAT Reasoning Test or the ACT plus Writing and two SAT Subject Tests. Currently, the University offers three paths to eligibility as a freshman:

DISPLAY III-14: CALIFORNIA FRESHMEN ENTRANTS

UC has met demand from Tidal Wave II over the last decade, with growth in the entering freshman class of 38%, but the lack of State support for enrollment growth has forced UC to curtail enrollment of freshmen in 2009-10.



- **Eligibility in the statewide context** is achieved based on completion of subject, scholarship, and examination requirements and achievement of a minimum score on the eligibility index, which is based on GPA and test scores.
- **Eligibility in the Local Context** (ELC, or the 4% path) is awarded to students who rank among the top 4% (as determined by UC) of their high school class. ELC was implemented for the first time for students entering in Fall 2001.
- Alternatively, students may achieve **eligibility based on test scores alone**, although fewer than 1% of UC students become eligible solely through this path.

In February 2009, the Board of Regents approved changes to eligibility policy recommended by the Academic Senate; these will be effective for the entering class of Fall 2012. Under the new policy, prospective applicants will be required, as they are now, to complete the 'a-g' course requirements

PATHS TO FRESHMAN ELIGIBILITY

Eligibility in the statewide context:

- completion of at least 15 year-long 'a-g' courses and standardized tests,
- a minimum GPA of 3.0 in 'a-g' courses, and
- a minimum score on the eligibility index based on GPA and test scores.

Eligibility in the Local Context (ELC):

- completion of 11 required 'a-g' courses and standardized tests by the end of the junior year,
- a minimum GPA of 3.0 in 'a-g' courses, and
- rank within the top 4% of the high school class based on GPA in 'a-g' courses.

Eligibility based on test scores alone:

- a total score of at least 3450 on the SAT Reasoning Test and two SAT Subject Tests, with no score below 580, or
- a minimum of 25 on each for the four ACT subparts as well as a minimum of 580 on each SAT Subject Test.

(11 of which must be completed by the end of 11th grade), take the SAT Reasoning Test or the ACT with Writing, and achieve a GPA in their 'a-g' courses of at least 3.0. However, applicants will no longer be required to take the SAT subject examinations, although scores on these exams will be considered for students who wish to submit them. All students who meet these requirements will be entitled to a full review of their application. In addition, students will continue to be guaranteed admission to at least one campus if their GPA places them in the top 9% of graduates from their high school or if they achieve a combination of grades and test scores on the SAT/ACT that place them in the top 9% of graduates statewide.

On an annual basis, the University monitors key demographic and financial indicators, as well as policy changes that affect enrollment. The most recent study of high school graduates commissioned by the California Postsecondary Education Commission (CPEC) indicated that approximately 13.4% of California's 2007 public high school graduates were eligible for UC admission.

As part of its service to the state, UC is responsible for certifying courses offered in California's high schools as meeting the 'a-g' course requirements, which are also required for eligibility to the CSU system. For the 2008-09 academic year alone, UC reviewed and approved more than 20,000 high school courses for UC and CSU eligibility. UC's 'a-g' course lists are widely used throughout the U.S. and internationally; UC's 'a-g' website received more than one million visits in the last year.

In recent years, a great deal of attention has been devoted to creating preparation pathways that combine college preparatory work with Career-Technical Education (CTE). Courses that combine academic content knowledge with practical or work-related applications may be eligible for 'a-g' approval. To date, UC has reviewed and approved more than 7,500 CTE courses as meeting 'a-g' standards.

Admission Policies

As mentioned earlier, the University's commitment to offering a place to all eligible undergraduate applicants does not extend necessarily to the student's choice of campus or major. At campuses where the number of UC-eligible applicants exceeds the number of spaces available, additional admission selection criteria and processes are employed to select the entering class. Effective for the Fall 2002 entering class, "comprehensive review" ensures the admission of highly-qualified students by allowing UC campuses to consider the broad variety of academic and other qualifications that all students present on the application. Applicants admitted under comprehensive review continue to be high-achieving students. All freshman applicant records are analyzed not only for their grades, test scores, and other academic criteria — important baseline indicators of academic potential — but also for additional evidence of such qualities as motivation, leadership,

intellectual curiosity, and initiative. This policy sends a strong signal that UC is looking for students who have achieved at high levels and, in doing so, have challenged themselves to the greatest extent possible.

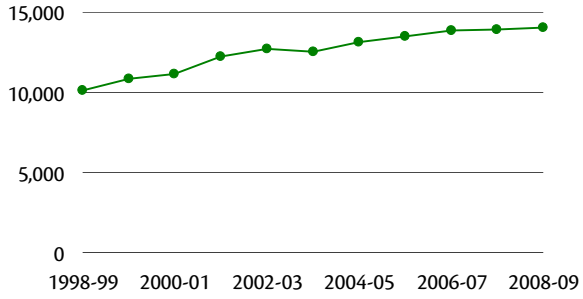
Transfer from California Community Colleges to UC

For those students not eligible, unable, or who choose not to attend a four-year university directly out of high school, the ability to transfer from a California Community College (CCC) to a four-year institution for upper division coursework maintains the State's commitment to educational opportunity for all. Therefore, the Master Plan calls for UC to accommodate all eligible CCC transfer students, and specifies that the University maintain a ratio of at least 60% upper division to 40% lower division students within its undergraduate class in order to ensure spaces for CCC transfer students. The University has exceeded the upper division enrollment goal in recent years because of its strong commitment to improve and enhance the transfer function and maintain its commitment to the Master Plan. Since Fall 1998, CCC transfer enrollment has grown 40%. In Fall 2008, UC enrolled 12,592 new CCC transfer students, and the upper division-lower division ratio stood at 64:36. Reflecting the priority the University places on its transfer mission, the President recommended an increase of 500 California Community College transfer enrollments for 2009. UC estimates that it has met or exceeded this goal.

Key elements for a successful transfer function include clearly-defined eligibility and selection criteria; availability of academic and financial aid counseling from both CCC counselors and UC transfer advisors; and complete, accurate, timely, and available course articulation information identifying which CCC courses are transferable

DISPLAY III-15: CALIFORNIA COMMUNITY COLLEGE TRANSFER ENTRANTS

Similar to growth in freshman entrants, numbers of CCC transfer students entering UC have also grown almost 40% over the last ten years.



to UC and how individual courses will advance students to a baccalaureate degree. The University makes efforts in all three of these areas to help promote transfer student access to UC.

In March 2009, California Community College Chancellor Jack Scott, California State University Chancellor Charles Reed, and University of California President Mark G. Yudof established the Community College Transfer Task Force, which was charged with examining strategic opportunities to achieve an increase in the numbers of community college students who transfer to four-year public universities in California. Mindful of the budget reductions each segment is experiencing in the current fiscal environment, the report of the task force (November 2009) identifies a limited set of modest, low-cost, collaborative activities to which each institution can immediately commit. These recommendations represent a short-term, realistic agenda upon which the segments can build as resources permit, but also include a request that the Task Force continue its work in order to coordinate implementation and continue to explore related areas for collaboration and program improvements that support increasing numbers of transfer students to the state's four-year public institutions.

PATHS TO TRANSFER ELIGIBILITY

Applicants seeking admission to UC as transfers may meet eligibility requirements in one of three ways depending on their eligibility when they graduated from high school.

Eligible as high school graduate:

- maintain a 2.0 GPA in transferable coursework

Not eligible because of missing 'a-g' subject requirements at high school graduation:

- complete transferable courses in the required subjects with a C grade or better
- maintain a 2.0 GPA in transferable coursework

Not eligible due to scholarship requirement at high school graduation:

- complete 60 semester/90 quarter units of transferable coursework with a 2.4 GPA
- complete 7 specific transferable courses with a C grade or better in each

Transfer Eligibility

Applicants seeking admission to UC as transfers may meet eligibility requirements in one of three ways, depending on their eligibility status at the time they graduated from high school. Students who were fully eligible for freshman admission at graduation must maintain a minimum GPA of 2.0 in transferable coursework. Students who were not fully eligible must meet additional coursework and scholarship requirements.

Admission as a Transfer

All UC campuses are open to new transfer students for each fall term and several also accept students in winter and spring terms. CCC transfer applicants who are California residents and who have met UC's eligibility requirements and lower division major requirements are given top priority in transfer admission at all campuses. As with freshman applicants, campuses use comprehensive review criteria for transfer applicants to select students for admission to majors and campuses. Selection criteria at campuses with more eligible applicants than spaces available include academic factors such as major preparation, as well as additional evidence of such qualities as motivation, leadership, intellectual curiosity, and initiative.

Transfer Advising

In order to promote the transfer process, the University provides admission advisors who regularly travel to community colleges to meet with students and staff regarding transfer admission and lower division preparation requirements. Efforts are focused on community colleges with high numbers of educationally disadvantaged students and historically low transfer rates to UC. In 2006-07, State funds totaling $2 million were added to the funds already provided for community college transfer programs, providing more advisors and funding the uctransfer.universityofcalifornia.edu website. Additionally, UC campuses have transfer centers and advisors available to assist prospective and new transfer students who enroll at UC.

Course Articulation

In order to plan for transfer, students must know how the courses they take at a community college will apply toward a degree at a particular UC campus. "Course articulation" refers to agreements between educational institutions that specify how a course a student completes at one institution (e.g., a community college) can be used to satisfy general education, major preparation, and graduation requirements at a second institution (e.g., a UC campus). Course articulation at UC falls into two categories:

- **Universitywide Articulation.** Transfer Course Agreements, reviewed by the UC Office of the President, designate which courses can be transferred for unit credit to meet University admissions, general education, and graduation requirements.
- **Major Preparation Articulation.** Each UC campus designates which courses at the community college are comparable to courses taught at the UC campus and, hence, will be accepted as transfer credit toward the requirements of a particular major.

Students can satisfy lower division general education courses by completing the Intersegmental General Education Transfer Curriculum (IGETC), or, if they are interested in high-unit science majors, the Science Intersegmental General Education Transfer Curriculum (SciGETC). In addition to completing general education requirements, students must complete specified coursework to prepare for their intended major.

CCC students have two primary tools to navigate the transfer path. Students can locate course articulation agreements at www.assist.org. As the official repository of course articulation information for California's colleges and universities, ASSIST, the Articulation System Stimulating Interinstitutional Student Transfer, includes all official course articulation established among CCC, CSU, and UC campuses. Each UC campus has articulated high demand majors with all 110 CCCs, and all campuses (except Merced) have more than 70 majors articulated on average with all of the community colleges. During 2008-09, more than two million different individuals used ASSIST to view more than 13 million course articulation reports.

UC majors tend to be highly specialized, positioned at the cutting edge of advancing knowledge in disciplines across the curriculum. Despite this complexity, it is the University's challenge and responsibility to establish clear paths for students, leading from the more generalized, lower-division courses offered at the CCC system to more specialized courses defining UC majors. As such, University faculty have developed a second tool students and advisors can use, UC Transfer Preparation Paths, which has established a new framework to identify specific courses at every CCC that students can use to meet the lower division requirements in any of the top 21 transfer majors. This information is available at uctransfer.universityofcalifornia.edu and supplements the current, traditional major preparation articulation information in ASSIST that the UC campuses maintain, covering all possible transfer options. Another benefit for students will be the ability to identify which UC majors and campuses are available to them based on coursework they have already completed.

These transfer preparation tools have greatly improved student advising, guidance, and course choice, allowing counselors and students to understand which courses are broadly applicable to various majors and which apply only for certain majors at certain campuses. The transfer paths also allow students and advisers to determine quickly and accurately the best options for rapid progress to degree completion.

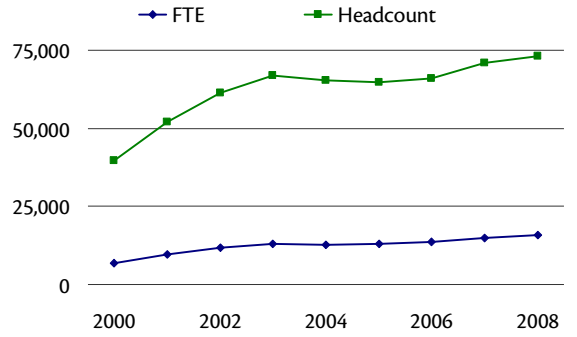
Summer Instruction

Facing extraordinary growth in high school graduating classes over this decade and the need to accommodate significant enrollment increases, the University, with funding from the State, began expanding summer instruction programs in 2001. In the eight years from 2000 to 2008, the University more than doubled its summer enrollments – enrollment grew by 8,900 FTE students over this period. In 2008, nearly 75,000 students participated in summer instruction.

The key to achieving significant enrollment growth in the summer has been to offer summer instruction that is critical to student progress, along with essential student support services, access to libraries, and student financial aid. State funding for summer instruction has allowed campuses to provide UC financial aid equivalent to the UC grant support available during the regular academic year, fund adequate student services, and hire more regular-rank faculty to teach summer courses. In addition, with State funding, campuses can afford to offer a greater breadth of courses during the summer to maximize efficiency and student progress

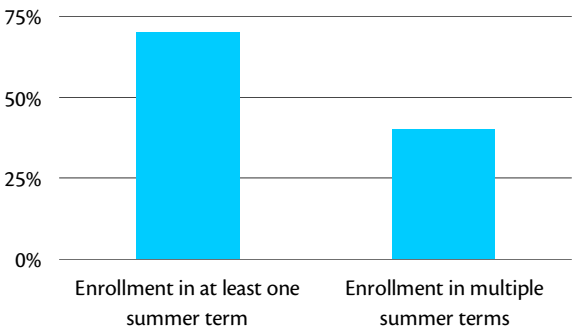
DISPLAY III-16: HEADCOUNT AND FTE ENROLLMENT IN SUMMER INSTRUCTION

FTE Enrollment in summer instruction has grown over 130% since 2000 and more than 40% of undergraduates enroll in summer session annually.



DISPLAY III-17: SUMMER ENROLLMENT PATTERNS OF UC UNDERGRADUATES

Among undergraduates who entered UC in 2001 and 2002, fully 70% enrolled during at least one summer term during their undergraduate careers and 40% enrolled in summer courses during more than one year.



toward the degree; campuses have nearly doubled the number of primary classes offered in the summer since 2000, totaling over 5,300 in 2008. Expansion of summer enrollments has resulted in more efficient use of facilities and accelerated time to degree for undergraduates, thereby making room for more students during the regular year. Students report using summer as a means to graduate on time or even early, and enjoy the smaller class sizes and faculty contact summer courses provide.

Summer enrollment at UC may be reaching its point of maximum efficiency. Further growth in the summer may be difficult to achieve for several reasons. In recent years, over 70% of undergraduate students have enrolled in at least one summer session, and 40% enroll more than once even though students can also use summer for other opportunities, such as work, travel, or internships. Students are not replacing a regular academic year term with summer, but rather are going year-round for two or more years. Students take 9.5 units per summer on average. Also, many courses are designed in two-semester or three-quarter sequences; the cost and difficulty to re-engineer courses to allow for year-round availability is prohibitive.

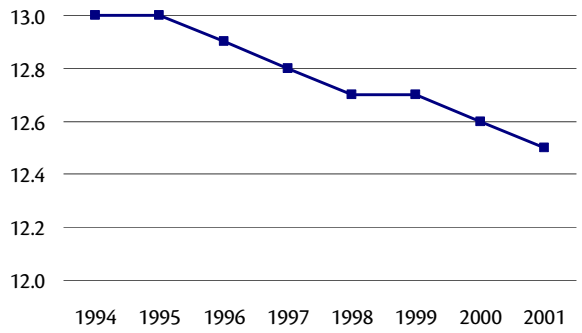
Timely Graduation

The University remains committed to ensuring that undergraduate students are able to complete their degrees on time and maintaining its excellent record of improving persistence and graduation rates and reducing time to degree among all students. Accordingly, campuses have developed advising and administrative initiatives to facilitate persistence and timely degree completion. Campuses continue to ensure course availability by sustaining increases in faculty teaching effort, creatively managing the curriculum and its delivery (for example, through targeted and broader summer offerings), and expanding use of instructional technology.

For UC undergraduates, the number of terms enrolled has dropped from 13.4 enrolled quarters (where a four-year degree equals 12 quarters) for the 1984 freshman class to 12.5 for the 2001 cohort. Half of UC freshmen graduate in 12 or fewer registered quarters; they are able to do this by taking full academic loads each year and by not exceeding the 180 units required for graduation. Students may take more total units or take longer to graduate if they change majors, undertake a double major, major in a field with a higher unit requirement, or take a lighter load some terms, often to accommodate working part-time.

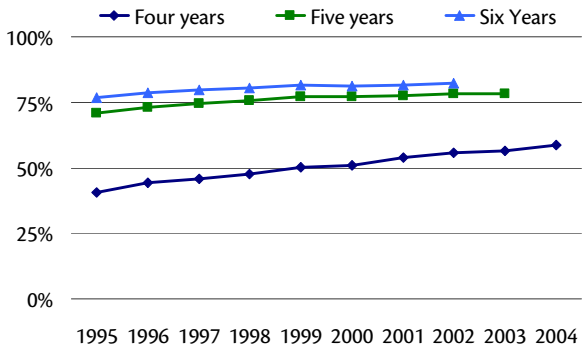
DISPLAY III-18: TIME TO DEGREE AMONG FRESHMEN BY COHORT

Time-to-degree, measured in quarters enrolled, has declined from 13 to 12.5 among recent freshman cohorts.



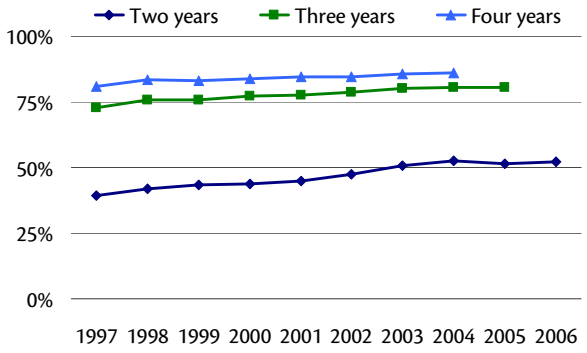
DISPLAY III-19: GRADUATION RATES AMONG FRESHMEN BY COHORT

More than 58% of freshman entrants complete their degree program within four years and more than 80% finish within 6 years. UC graduation rates far exceed the national average.



DISPLAY III-20: GRADUATION RATES AMONG UPPER DIVISION CCC TRANSFER STUDENTS BY COHORT

CCC transfers to UC also exhibit strong graduation rates, with more than half finishing in two years and 86% graduating within four years of transfer.



In recent years, campuses have worked to increase the average number of units taken during a term, but reduce excess units taken over a student's career, enabling more students to graduate in four years and thereby making room for others.

Freshman and transfer persistence and graduation rates have steadily risen over time. Among recent freshman cohorts, 92% of students persist into the second year and nearly 59% graduate within four years. Those who do not graduate in four years typically require only one more academic quarter to earn their degree; 78% of the 2001 entering freshmen earned a baccalaureate degree within five years and 82% within six years. UC graduation rates far exceed the national average; among first-time students entering four-year institutions nationwide, only 56% earn bachelor's degrees within six years.

Students beginning their higher education at a community college have historically done very well after transferring to UC. Among CCC transfer students, 92% persist to a second year and nearly 86% earn a UC degree within four years, taking on average 7.3 quarters at UC to complete their degrees. Transfer students' UC grade point averages upon graduation are about the same as those of students who entered as freshmen.

Science and Math Initiative

UC's Science and Mathematics Initiative improves the undergraduate pipeline to teaching careers by increasing the number of mathematics and science students interested in and prepared for teaching credential programs. Recent analyses of California's teacher workforce needs show that more than 10% of California's science and math teachers are underprepared. In order to combat this problem, UC launched the Science and Math Initiative (SMI), with annual State support provided in 2005-06 and 2006-07 totaling $1.1 million. The nine-campus program, popularly known as CalTeach, creates multiple

pathways for UC students to explore the possibility of teaching, expands the capacity of the state's teacher preparation programs to accommodate these students, and strengthens the quality of teacher preparation programs to assure deep subject matter content and strong pedagogical skills. Science and math students receive practical experience in K-12 classrooms, working with mentor teachers in hands-on teaching starting during the freshman year at UC and continuing through graduation, with pedagogical instruction specifically tailored to science and math. More than 60 new undergraduate courses have been developed as a result of this initiative. The original goal of the program was to quadruple science and math students prepared to enter credential programs from 250 to 1,000 by 2010-11. The State's fiscal crisis has resulted in significant cuts to UC's budget, and no program will be protected from reductions, including SMI. Efforts associated with this program will continue, however, at reduced levels; as such, it is unlikely UC will reach its goal of 1,000 SMI graduates by 2010-11.

Instructional Equipment Replacement

Obsolete equipment ranges from equipment that is functional but lacks the required capability and efficiency of current technology, to devices that are of limited use because replacement parts are not readily available or the equipment is costly to operate and maintain. Using an agreed-upon methodology for calculating need, the State began partially funding the instructional equipment replacement (IER) program in 1976-77 and provided full funding from 1984-85 through 1989-90. Since 1990-91, funding for IER has been inconsistent, with annual permanent funding often falling short of each year's IER need, but some one-time funding helped address the growing shortfall. As of 2007-08, the annual shortfall was estimated to be $41.5 million. The latest State funding reductions mean that funding for instructional equipment replacement has fallen further behind the University's need.

Instructional equipment is essential to maintain the high quality of UC's instructional programs, and the continuing funding shortfall prevents UC from offering ideal learning environments for its students. The need for adequate funding for equipment in engineering, the sciences, and digital media disciplines that are expected to grow significantly this decade is especially crucial because these disciplines require more instructional equipment, the equipment is more expensive, and technological advances occur more rapidly, which results in a need to upgrade as well as replace existing equipment. With technology changing every 16 months to 3 years, it is imperative that the University replace obsolete equipment and offer students the most technologically-advanced education available. A persistent inability to keep up with equipment needs weakens the University's instructional programs and reduces the University's ability to provide the highly-skilled personnel needed for California's high technology industries.

The Higher Education Compact with Governor Schwarzenegger included provisions for 1% budget increases in 2008-09, 2009-10, and 2010-11 to address budgetary shortfalls in State funding for core areas of the budget critical to maintaining the quality of academic programs, including instructional equipment. Additional funding for core academic support (informational technology, instructional equipment replacement, building maintenance, and library resources) is one of the University's priorities for restoring academic quality. As discussed in the *Cross-Cutting Issues* chapter of this document, funds for this purpose were included in the University's 2008-09 and 2009-10 budget requests, but the State's fiscal crisis and the subsequent State funding reductions for UC meant that this request was not funded.

"At UC, future health practitioners learn to translate medical breakthroughs into life-sustaining, quality patient care."

—John Stobo
University of California
Senior Vice President of Health Sciences and Services

HEALTH SCIENCE INSTRUCTION: REVISION

Subsequent to the printing of this document, the decision was made to request additional funding from the State for health science initiatives as follows:

- **$10 million for the UC Riverside School of Medicine.** Core funding of $10 million in start-up funds will be used to develop academic programs and support the salaries of initial medical school staff and faculty. Specific start-up activities that will occur during this budget year will include pursuing accreditation for the medical school curriculum and graduate medical education (residency) programs, establishing affiliations with community-based hospitals and clinics to support the distributed clinical mode, and pursuing private philanthropy.
- **$444,275 for the UC Davis Betty Irene Moore School of Nursing.** In July 2007, the Gordon and Betty Moore Foundation announced $100 million in founding support to launch the Betty Irene Moore School of Nursing at UC Davis. The Moore Foundation's vision for the school of Nursing was as a public-private partnership between the Moore Foundation and the State in which both would provide funding for the new school. Growth in nursing programs at other campuses is being funded in 2010-11 through federal dollars available from the Workforce Investment Act; however, these funds are temporary. Therefore, the University is requesting permanent funding for Davis nursing enrollment directly from the State, consistent with the agreement between UC Davis and the Moore Foundation. The School of Nursing plans to admit its first class of students in 2010-11, comprised of 25 master's level and 8 doctoral nurses.

These changes are not reflected in the text of this chapter or in the tables at the end of the document.

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"At UC, future health practitioners learn to translate medical breakthroughs into life-sustaining, quality patient care."

—John Stobo
University of California
Senior Vice President of Health Sciences and Services

HEALTH SCIENCE INSTRUCTION

The University of California plays a critically important role in training health professionals, delivering essential healthcare services, and undertaking scientific research. UC's research discoveries help prevent and cure diseases, create new technologies for diagnosing and treating illnesses, and provide new strategies for staying healthy. Beyond millions in federal and philanthropic dollars invested in the state through UC's research grants, UC's advances in the prevention and treatment of chronic medical conditions such as cardiovascular disease, asthma, and diabetes help improve health outcomes, achieving savings in treatment and improving productivity.

UC operates the largest health sciences instructional program in the nation, enrolling more than 14,000 students and encompassing sixteen schools at seven campuses. These include schools of dentistry, medicine, nursing, optometry, pharmacy, public health, and veterinary medicine.

UC's health sciences instructional programs provide an unparalleled integration of research and education with patient care, preparing leaders in clinical care, research, and academia. In addition, UC provides education, prevention, and early intervention services to thousands of Californians through community health and outreach programs. The ultimate goal of all UC health sciences programs is to train, skilled, knowledgeable, and compassionate health care professionals who deliver outstanding services to California and the world.

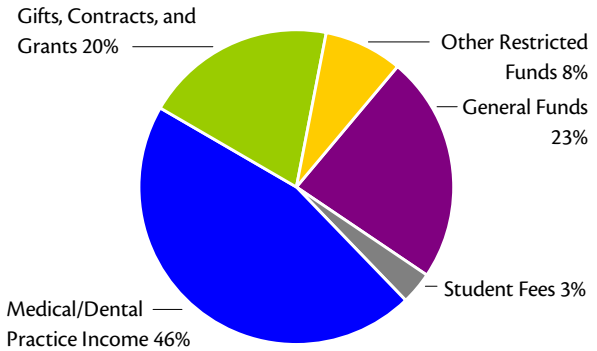
Funding for Health Sciences

The 2009-10 budget for Health Sciences Instruction is $1.2 billion, of which $330 million is UC and State General Funds. The clinical medical and dental care provided by UC health sciences faculty generate significant revenue which contributes to support for health sciences instruction.

To operate the instructional program, the health science schools require faculty, administrative and staff personnel, supplies, and equipment. Faculty requirements are determined based upon student-faculty ratios established for each

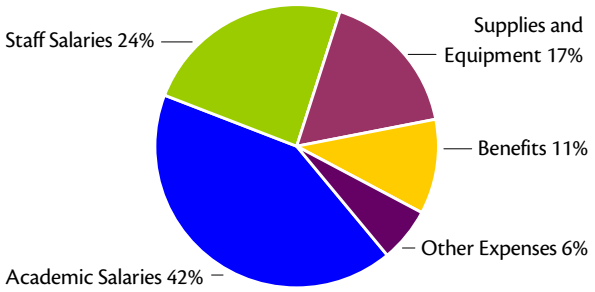
DISPLAY IV-1: 2008-09 HEALTH SCIENCES INSTRUCTION EXPENDITURES BY FUND SOURCE

Physician and other professional fee revenue as well as support from the medical centers supplement the cost of clinical training in the health sciences.



DISPLAY IV-2: 2008-09 HEALTH SCIENCES INSTRUCTION EXPENDITURES BY CATEGORY

Academic and staff salaries and benefits constitute over three-quarters of all health sciences expenditures.



profession and category of students enrolled. These ratios reflect the intensity and requirements of both basic sciences and clinical instruction, including associated responsibilities for supervision of students engaged in patient care activities.

Health sciences programs are high cost programs and while State support for these programs is significant, revenues from other sources are essential. Physician and other professional service fees, as well as professional school fees charged to medicine, dentistry, veterinary medicine, nursing, optometry, public health, physical therapy, preventive medicine, and pharmacy students contribute to the funding for health sciences instructional programs. During the State's fiscal crisis in the early part of this decade, State support for UC's professional schools declined significantly and professional fees increased dramatically to offset lost State revenue.

Health Sciences Initiatives for 2010-11

For 2010-11, the University is requesting State support via Federal Workforce Investment Act funds for expansion of its nursing programs and restoration of funding for PRograms in Medical Education (PRIME) enrollments. In recognition of the enormity of the fiscal crisis, requests for other initiatives are being deferred until the State's fiscal situation improves.

Due to the current fiscal crisis, the 2008-09 and 2009-10 State budgets for the University provided no new resources for planned health sciences enrollment increases to meet the State's workforce needs. The University redirected funding from campus budgets in 2008-09 and redirected funds from the regular MD program (non-PRIME) in 2009-10 to keep the multi-year expansion of the PRIME program on track. Initiatives to help address the State's critical shortage of nurses were put on hold, however, with the exception of some unfunded enrollment growth in undergraduate nursing.

While enrollment growth in pharmacy and public health are vitally needed, as well as funding for the development of a new medical school at Riverside, the University is deferring these initiatives due to the fiscal crisis.

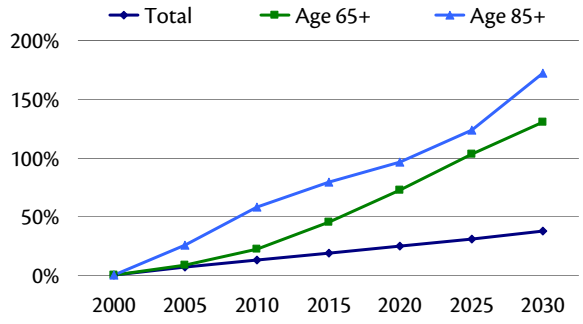
State Needs for Health Sciences Expansion

Already the most populous state in the nation, California is projected to grow 37% through 2030, faster than the nation as a whole. California's elderly population will grow even faster, with the population age 85+ growing more than 150% by 2030, as shown in Display IV-3. California's population is racially and culturally more diverse than any other state in the nation, with more than one in four Californians born outside the U.S., more than twice the national average of 1 in 10. Despite these facts, for nearly three decades, UC has added virtually no new capacity in its health sciences programs; only recently has the University begun to expand programs in medicine and nursing.

In June 2005, the Universitywide Health Sciences Committee completed the most comprehensive assessment of health workforce needs undertaken by UC in more than two decades. The report found shortages of health care professionals

DISPLAY IV-3: PROJECTED CALIFORNIA POPULATION GROWTH BY AGE GROUP

Between 2000 and 2030, the Census Bureau projects that California's population will grow by 37%. During that time, the population age 65 and older will grow 130% and the population age 85 and older will grow 170%.



in most areas of the state and noted that gaps in access to care are widening.

In response to these findings, President Dynes appointed the Advisory Council on Future Growth in the Health Professions to review the findings and develop profession-specific enrollment plans with annual targets for growth through 2020.

The Council found compelling needs for enrollment growth in five fields: medicine, nursing, public health, pharmacy, and veterinary medicine, as well as a need to maintain existing enrollment levels in dentistry and optometry. The Council recommended that growth in the health professions occur in a phased, stepwise manner, contingent upon adequate resource support, starting with increases that can be accommodated within existing campus infrastructures. In addition, because the magnitude of growth that will be needed in some professions exceeds what can be accommodated by existing programs, even with new infrastructure, the Council recommended planning for new programs at new locations be developed and phased in over time.

In recommending substantial enrollment increases, the Council stressed that future growth should provide opportunities for:

- new educational models involving interdisciplinary training and team-based approaches to patient care;
- increased diversity of all UC health professions faculty and students;
- innovative approaches to teaching, including telemedicine, distance learning, and use of new technologies;
- added value for students, the people of California, and the health professions.

PRograms In Medical Education (PRIME)

California's physician workforce is vital to the health and well-being of the state's 35 million residents. As the most populous and most ethnically and culturally diverse state in the nation, California faces unique challenges in improving access to care and health outcomes for its citizens. In both urban and rural communities, challenges associated with inadequate access to care and resulting health disparities stem from multiple factors, including uneven geographic distribution of clinicians, lack of insurance, low socioeconomic status, limited English proficiency, and low health literacy. Health sciences graduates must be prepared and better trained to consider the cultural and socioeconomic factors, health practices, and potential environmental hazards that affect health outcomes. Without comprehensive strategies and focused teaching programs, current health disparities will persist and likely intensify in the years ahead as the state is facing a projected 15.9% shortfall of physicians (i.e., almost 17,000) by 2015.

PRograms In Medical Education (PRIME), described in Display IV-4, incorporate specific training and curricula designed to prepare future practitioners to address disparities that exist in the provision of health care throughout the state, improving the quality of healthcare available for all Californians. The special training ranges from enhancing cultural sensitivities to the use

DISPLAY IV-4: PROGRAMS IN MEDICAL EDUCATION (PRIME)

PRIME-RC (Rural California) at Davis
Incorporates UCD's award-winning model program in telemedicine with a commitment to outreach and rural health care.

PRIME-LC (Latino Community) at Irvine
Emphasizes Latino health issues with training in Spanish language and Latino culture.

PRIME (Diverse Disadvantaged) at Los Angeles
Committed to serve and experience working with diverse medically disadvantaged populations.

PRIME-HEq (Health Equity) at San Diego
Builds upon knowledge of health disparities and minority health problems to help students work toward and contribute to achieving equity in health care delivery.

PRIME-US (Urban Underserved) at San Francisco
Offers students the opportunity to pursue their interests in caring for underserved populations in urban communities.

of technology to overcome geographic barriers to quality care. Since students who enter medical school with an interest in caring for underserved communities as part of their future career are more likely than other students to practice in such communities, the PRIME programs will also help address regional health disparities.

A key component to the University's PRIME programs is expansion of telemedicine capability. Telemedicine is interactive health care across distance, using telecommunications and other information technology to connect healthcare providers and patients electronically so that they can share information and receive or provide consultations with medical specialists. California has been a national leader in telemedicine, and UC in particular has been pioneering in the field. UC Davis has provided telemedicine services for 26 years and in 2006 won the American Telemedicine Association's President's Award.

State funding requested in 2008-09 and 2009-10 for PRIME was not provided. However, in order to maintain momentum in the development of this program, the University made funding available on a one-time basis in 2008-09 for PRIME expansion, and in 2009-10, redirected funds from regular MD programs to PRIME to support planned enrollment growth. If the state once again does not provide funding for this purpose due to its fiscal situation, the University will again redirect funds from regular MD programs to PRIME for 2010-11. However, the strategy of redirecting funding from regular MD programs to PRIME is not sustainable in the long run.

The Education General Obligation Bond approved in the November 2006 election included $200 million for UC to undertake "capital improvements that expand and enhance medical education programs with an emphasis on telemedicine aimed at developing high-tech approaches to healthcare." To date, $170.4 million of this bond funding has been appropriated to accommodate enrollment growth within UC PRIME programs and capital investments to support new UC telemedicine programs. The University's 2009-10 capital outlay budget includes an appropriation for the remaining $28.6 million.

Under the Federal Communications Commission's Rural Health Care Pilot Program, the new UC-managed California Telehealth Network is reserving more than $30 million over three years in FCC and other funding to connect more than 300 primarily rural California healthcare facilities to a statewide and nationwide broadband telehealth network and to provide distance learning and emergency preparedness/disaster response.

New funding for telemedicine and expansion of medical education programs marks an exceptional and unique opportunity to address statewide objectives for increasing medical student enrollments, expanding access to clinical services, and creating a new systemwide network that will enable UC medical school campuses to link together for educational and other purposes.

Nursing Expansion to Meet Statewide Shortages

Virtually all Americans will require nursing care at some time in their lives. The deepening nursing shortage raises serious concerns that must be addressed in California and nationwide.

California ranks 50th in the nation in the number of nurses per capita (589 vs. the U.S. average of 825 per 100,000). Causes of the nursing shortage include rapid population growth (especially of those over age 65); an aging nursing workforce (California nurses are 5 years older than the national average and half are over age 50); and an increasing mean age of nursing faculty nearing retirement. Current nurse staffing ratios for California hospitals and national accreditation standards limiting the number of hours medical residents can work have created further demand. Without intervention, California's nursing shortage will worsen significantly through 2030.

In their 2007 report, UC's President's Advisory Council on Future Growth in the Health Professions recommended significant increases in nursing education. The Council also stated that even with significant infrastructure support, unmet demand will warrant the establishment of additional nursing programs.

DISPLAY IV-5: NURSING PROGRAMS AT THE UNIVERSITY OF CALIFORNIA

Schools of Nursing

UC San Francisco
- Established 1907
- Offers MS and PhD

UC Los Angeles
- Established 1949
- Offers RN/BS/MSN, BS, MSN, and PhD

UC Davis
- Established 2009
- Plans to offer MSN and PhD, with BSN to follow

Nursing Science Program

UC Irvine
- Established 2005
- Offers a BS and MS, with plans to offer a PhD

To help meet the state's future nursing needs, the University has been expanding its traditional graduate role in nursing education, including preparation of new faculty for nursing programs and the education and training of advanced practice nurses, but it also has re-established and added new undergraduate nursing programs, as shown in Display IV-5.

Baccalaureate Nursing. In Fall 2006, UC re-established the UCLA bachelor's degree program in nursing and added a new undergraduate program at UC Irvine.

Graduate Nursing. The University also is expanding its graduate nursing programs and adding new ones. UCLA and UCSF have recently expanded programs for both professional nurses and nursing faculty. Irvine added a graduate nursing program in 2009-10.

New Initiatives. In 2007, the Gordon and Betty Moore Foundation announced $100 million in founding support, the largest donation ever made to a nursing school, to launch the Betty Irene Moore School of Nursing at UC Davis. Pending necessary approvals, the campus anticipates admitting its first students in the master's and doctorate programs in Fall 2010. A bachelor of science in nursing program is also planned for the future. When full enrollment is reached in all degree programs, the school is projected to serve 456 students. Other UC campuses are also considering initiatives in nursing education in the future.

The University has requested enrollment growth in nursing programs each year since 2006-07. In 2006-07 and 2007-08, UC's requests were fully funded, but in 2008-09 and 2009-10, funding was not provided. Because of the strong demand for UC-educated nurses, the California Labor and Workforce Development Agency has put forth a proposal in which, beginning in 2009-10, approximately $12 million dollars in new, one-

DISPLAY IV-6: ANTICIPATED NEW GRADUATES THROUGH THE GOVERNOR'S NURSING EDUCATION INITIATIVE

Campus	Bachelor's	Master's	Ph.D.
Davis	0	85	8
Irvine	0	45	5
Los Angeles	55	10	4
San Francisco	0	124	6
Total	55	264	23

time federal Workforce Investment Act funding provided over five years would be available to UC through participation in the Governor's Nursing Education Initiative, for UC to train and graduate a single cohort of new California nurses. Under this proposal, UC must provide matching funds, and would train nearly 350 nurses across multiple degree programs (see Display IV-6).

It should be clear, however, that this one-time funding provides only for a single cohort of students to complete their nursing programs. After this funding is used, enrollment will return to State-budgeted levels, and no growth will occur until State funding is again provided.

Other Health Sciences Enrollment Growth

In 2008-09 and 2009-10, the University requested funding for expansion of programs in pharmacy at the San Diego campus and public health at the Berkeley, Davis, Irvine, and Los Angeles campuses. Requests both years were unfunded. Because of California's well-documented need for more pharmacy and public health professionals, UC will again request funding for these programs when the economic situation permits.

Riverside Medical School

The need for additional medical schools in California is well recognized. Specific regions within California – in particular the rapidly growing Inland Empire of Southern California – are already experiencing a healthcare crisis due to a shortage of physicians, nurses, and allied health professionals, a crisis that will worsen without expanding medical education. UC's health workforce study shows that even if existing medical schools expand to maximum capacity, the state will still fall far short of achieving the number of doctors needed in the coming years. A new school of medicine at Riverside will help meet health care needs in the state and region by serving as a locus for expanded medical care; by educating physicians who are likely to enter residencies, and later practices, in the region and state; by training a culturally competent and diverse physician workforce; and by undertaking research to develop and implement projects that improve the health of people living in the region. Unfortunately, Riverside's planning and timelines for a new medical school must be adjusted due to the uncertainty introduced by the current fiscal crisis. The UCR School of Medicine remains, however, a high priority of the University.

"The future of California depends on the generation of young people sitting in our classrooms today. We must do all in our power to give them the knowledge, the skills, the passion and integrity to lead when their turn comes to run this great state."

—Mark G. Yudof
University of California
President

CROSS-CUTTING ISSUES

Several of the University's significant budget issues do not fall into a single functional area and instead cut across multiple areas. This chapter provides detailed information about several of these cross-cutting issues for 2009-10: campus actions to address budget cuts, graduate student enrollment and financial support, diversity, information technology, core academic support, and long range planning.

Systemwide and Campus Actions to Address Budget Cuts

The current fiscal crisis facing the State, and indeed the nation and the world, has presented the University with the significant challenge of achieving major reductions to budgets in a very short period of time. The 2009-10 State-funded budget is over $600 million less than the 2008-09 budget that existed before mid-year cuts were instituted. This represents a 20% reduction in State support, unprecedented in size and scope. The State continues to struggle with its financial stability; thus, the outlook for the next several years is extremely pessimistic. It is in this context that efforts are being made centrally as well as at the campus level to reduce costs, efforts that are expected to continue over several years.

Systemwide Actions

The following is a brief summary of actions that are occurring at the systemwide level to help address the ongoing budget shortfalls. Many of these actions are discussed in more detail elsewhere in this document.

- Curtailment of Freshman Enrollment: Campuses were asked to reduce enrollment of freshman for 2009-10 by 2,300 students. This curtailment was partially offset by a goal of increasing transfers from the community colleges by 500 students. Enrollment reductions allow campuses to save money on course sections and other activities and avoid spreading instructional resources too thinly.
- Salary Reduction / Furlough Plan: In July 2009, the Regents approved a salary reduction and furlough plan for 2009-10 that will provide $184 million in one-time General Fund savings. This plan is effective September 1, 2009 through August 31, 2010.
- Debt Restructuring: UC has taken steps to delay principal payments totaling $150 million over 2009-10 and 2010-11, providing $75 million in each of the two years for temporary relief to campuses.
- Senior Management Group Compensation Actions: The President and other senior members of the Office of the President and campus leadership agreed to reduce their salaries by 5% for one year, effective July 1, 2009. This was two months ahead of the implementation of the furlough program, which will impose in most cases 9 to 10% pay reductions for all Senior Management Group employees in 2009-10.

In addition, systemwide salary freezes for Senior Management Group members have been imposed.

- UCOP Restructuring: Over the last two years, the Office of the President has undergone a thorough restructuring and downsizing. To date, a total of $62.2 million in reductions from both unrestricted and restricted funds so far have been generated through a combination of program transfers to campuses and permanent budget reductions, with additional savings expected. Savings from unrestricted funds were redirected to support debt service payments not funded by the State, maintenance of new space on campuses, and enrollment growth at UC Merced. Savings from restricted sources must be used only for programs for which they were intended, but may be used to offset future cost increases or address other funding shortfalls within those programs where appropriate.
- Strategic Sourcing: This initiative was designed as a comprehensive program focused on purchasing efficiencies that achieve significant cost savings and build and improve the internal infrastructure that supports the core procurement functions. From its inception in 2004-05 through 2007-08, the Strategic Sourcing Initiative achieved $154 million in cumulative cost savings to the University. The 2008-09 savings results are estimated to be $64 million.
- Energy Savings Program: Through an incentive program developed by the Public Utilities Commission, UC is pursuing $247 million in energy conservation projects that are expected to generate $36 million in annual energy savings at the end of three years (or about $18 million annually after debt service). Some of the energy projects will also help address UC's growing capital renewal and deferred maintenance needs.
- Other Actions: Certain bonus and incentive programs were cancelled or deferred; the staff merit program for 2008-09 was eliminated and will not be implemented in 2009-10; and significant restrictions have been placed on travel and other purchasing.

Campus Actions

Most of the UC campuses are undertaking a thorough review of their administrative services and the delivery of these services to identify opportunities for greater efficiencies and process streamlining. This process should realize both cost savings and enhanced services to students, faculty, and staff. Particular opportunities for greater effectiveness lie in the areas of information technology, human resources, procurement, and the processing of financial transactions.

While these steps are being taken at a systemwide level, the campuses are also implementing actions to reduce expenditures at the local level. Several common themes emerge.

- While each campus is distinct in its character as well as its fiscal situation, all campuses are approaching the issues with thorough consultation and deliberation.
- Every campus is firmly committed to protecting quality, access, and, as much as possible, the academic and student service programs.
- Further, each campus is setting priorities that over the next several years will advance those initiatives that continue to be important to the development of the institution while eliminating or curtailing programs that no longer serve the identified priorities of the campus.
- Most campuses are taking temporary measures in the current fiscal year through the use of one-time funds, vacancy control measures, and other steps, while they plan for permanent cuts through more deliberative processes.
- While using different approaches, campuses have embraced a process for identifying and eliminating redundancy and for avoiding across-the-board solutions to budget shortfalls.

The following provides a summary of the kinds of actions campuses have taken to address budget shortfalls. It is not an exhaustive list, but rather is representative of a wide variety of actions each campus is adopting.

- Consolidation/Elimination of Programs – All campuses are looking for opportunities to consolidate units and reduce duplication. For example, most campuses reported consolidation efforts around information technology (IT) improvements. Some campuses reported elimination of programs where it is clear the program is undersubscribed or no longer serving a campus priority.
- Differential Budget Cuts – Each campus has a consultative process to determine cuts to programs. All campuses have treated academic programs more favorably than administrative programs. Some campuses assigned a targeted cut to all departments and then increased that reduction disproportionately for some units in order to protect others. Other campuses have asked departments to provide scenarios for cuts at various levels and then a central review process was used to determine which level is to be implemented. All campuses reported they had made graduate student support a priority. Some campuses, however, reported reducing the number of TA positions and eliminating other optional campus positions generally filled by students.
- Slowing, Postponing, or Halting Initiatives – Several campuses are in the midst of major initiatives or were poised to launch new programs. For example, the Irvine campus is making more cuts elsewhere in its budget in order to continue development of its law school. At the same time, it is slowing its development of several health science disciplines. Riverside is exploring alternatives to State support for start-up funding for its medical school. The Merced campus has curtailed leasing of administrative space in Merced and instead is re-organizing existing space on the campus and at its Fresno facility to house staff. San Francisco is deferring initiatives related to IT, a research data base, a web portal, child care expansion, renovations and other actions.
- Layoffs – Most campuses reported they have instituted layoffs or will do so in the near term. To date, 884 employees have been laid off and another 1,000 are expected in the coming year. All campuses expressed a priority in achieving savings primarily through retirement and natural attrition. Nearly 2,000 positions have been eliminated and another 2,000 are expected to be eliminated in 2009-10.
- Staff Hiring Freezes – All campuses have some form of hiring freeze in place, although some are more strictly controlled at the central level (generally the smaller campuses) while others are determined at the departmental or college level (generally the larger campuses). In some instances, the unfilled position is "swept" centrally and thus lost permanently to the department. In other instances, the position may remain in the department with no authority to recruit.
- Faculty Recruitment – All campuses have curtailed the number of faculty recruitments, in many cases by 50% or more. This is true despite the fact that several campuses have continued to enroll growing numbers of students.
- Program Assessments – All campuses impose upon auxiliaries some level of assessment to help defray the cost of overall campus infrastructure. Many campuses are reviewing this assessment to ensure auxiliaries and other non-State funded programs are paying their fair share, and most are considering increasing this assessment to some degree.

Given the continuing State fiscal crisis and the uncertainty over future State funding, campuses are continuing to review options for additional cost savings and elimination of programs.

Graduate Student Enrollment and Financial Support

Graduate education and research at the University of California have long fueled California's innovation and development, helping establish California as one of the ten largest economies in the world. Indeed, UC is charged by the California Master Plan for Higher Education with the responsibility to prepare professional and doctoral students to help meet California's and the nation's workforce needs. However, over the last forty years, while well-justified attention has been paid to accommodating undergraduate enrollment growth as a result of Tidal Waves I and II, little attention has been paid to graduate growth.

Despite high-quality programs and many applicants, growth in graduate programs has been limited due to the lack of State support, creating an imbalance in University programs and failing to meet the state's workforce needs. As a result, the University has reached a critical point in graduate education. Unless action is taken to build and expand graduate and professional programs, California's educational, economic, technological, and public welfare needs will not be met.

Since 1965-66, UC undergraduate enrollments have grown fairly steadily, from 49,000 FTE to 180,000 FTE, more than 250% over forty-five years, as a way of ensuring undergraduate access for UC-eligible students. General campus graduate enrollment has grown at a much slower rate, from 20,000 to 34,000 FTE, only 70%, during the same period. In fact, during the 1980s and early 1990s, graduate enrollment did not increase at all; much of this growth occurred since 2000-01.

As a consequence of this imbalance, the proportion of graduate students decreased from 28.8% of general campus enrollment in 1965-66 to 16.6% in 2001-02. Although UC's graduate enrollments began to grow again in 1999-00, by an average of 1,000 FTE students per year, they still have not kept pace with undergraduate growth; the proportion of general campus graduate students has dropped to 15.8% in 2008-09. Graduate enrollments were expected to continue to grow along with undergraduate enrollments over the next several years. Because numbers of high school graduates will level off, UC was expecting increases in the proportion of graduate students during the next decade, as indicated in the University's March 2008 enrollment projections.

In Fall 2007, 22% of total UC enrollment was graduate students (including health sciences and self-supporting enrollments), compared to 33% at public comparison universities and 61% at private comparison universities. In fact, UC's total graduate percentage is lower than the percentages at all of the 8 comparison institutions.

California's under-investment in graduate education can also be seen in degree production by state, especially compared to other populous, industrialized, and high tech states. Among the 15 largest states — those most like California and with which California competes for educated workers and industry — California ranked only eighth in 2006, and it ranked only slightly above the national average of all 50 states.

UC has fallen behind in graduate enrollments for several reasons. Because of State budget constraints in the 1980s and 1990s, graduate growth was held down to ensure access to all eligible undergraduates who chose to attend UC. But graduate enrollment growth has also been slowed, in many cases, by the inability of graduate students or departments to secure adequate and competitive student financial support. Dramatic increases in graduate student fees in recent years have exacerbated these problems.

Graduate enrollments in high quality programs are critical to the state's economic vitality, as well as its social and cultural development. In addition, UC graduate students play a vital role as future faculty in higher education in California, and serve a key function in enhancing the quality of the instructional and research enterprise while enrolled at UC.

Graduate Education and the State's Economy

UC graduate education and research have a long history of fueling economic development in California. UC graduate education and research spawned the biotechnology industry, and UC graduates have been drivers in the development of the electronics industry, particularly in communications and semiconductors.

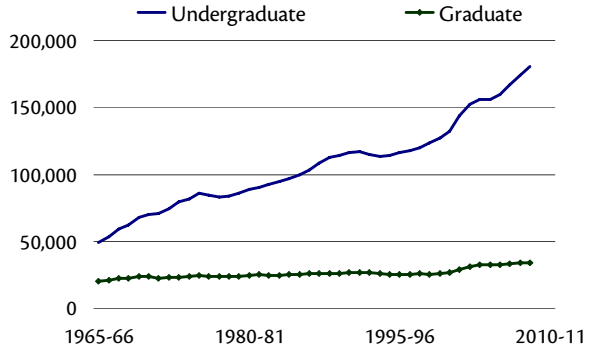
UC graduate programs directly contribute to California's R&D-intensive industry sectors by supplying highly trained alumni and attracting industry to California. Companies in knowledge-based industries tend to form clusters around major universities to take advantage of access to the pool of specialized workers and to benefit from knowledge transfers from the concentration of research, innovation, and specialization.

In the future, California's economy will depend even more on high-tech industries. Stem cell research, environmental research and innovation, global health care delivery, and energy research will have significant impacts on the health and economy of California and the world. These science- and technology-based industries will require even more highly trained workers.

In the coming years, all sectors of California's economy will need many more highly-educated workers — engineers, scientists, business entrepreneurs, and others whose innovations will drive California's prosperity. In keeping with its charge under the Master Plan, the University will play a key role in helping to meet the need for these technically and analytically sophisticated workers. As the state's economy continues to shift

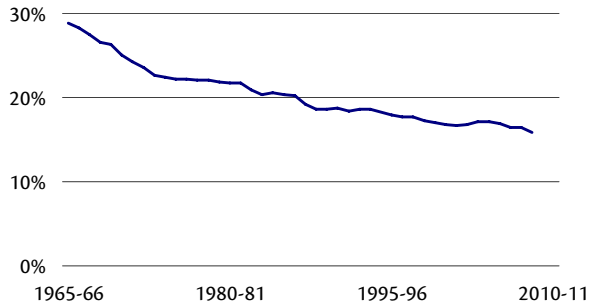
DISPLAY V-1: UNDERGRADUATE AND GRADUATE GENERAL CAMPUS FTE ENROLLMENT

Since the 1960s, UC's undergraduate enrollment has grown rapidly, but graduate enrollment has not kept pace. While undergraduate enrollment has grown 250%, graduate enrollment has grown only 70%.



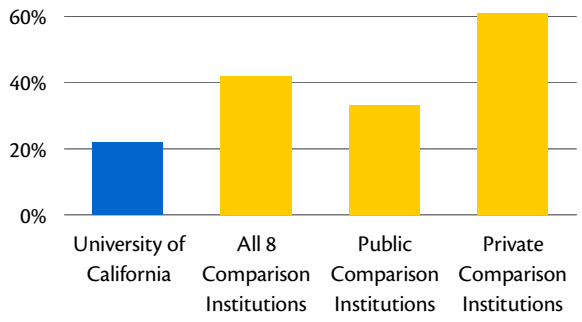
DISPLAY V-2: GRADUATE STUDENTS AS A PERCENTAGE OF GENERAL CAMPUS ENROLLMENT

The proportion of graduate enrollment on the general campuses has fallen from nearly 30% in the 1960s to less than 16% in recent years.



DISPLAY V-3: GRADUATE ENROLLMENT AT UC AND COMPARISON INSTITUTIONS

In Fall 2007, 22% of total UC enrollment was graduate students (including health sciences and self-supporting enrollments), compared to 33% at public comparison universities and 61% at private comparison universities.



toward jobs requiring advanced education, California will need to fill more than a million new positions requiring graduate degrees by 2025, a 68% increase from 2005. In addition, the looming retirement of highly educated workers in the large baby-boom generation and the declining in-migration of educated workers from other states and nations create significant challenges for California's economy. Growth in UC graduate programs would help meet the need for more science and technology professionals. UC's March 2008 projections indicated that more than a third of graduate enrollment growth through 2020-21 would be in science, math, engineering, and computer science fields. As discussed in the *Health Sciences Instruction* chapter of this document, health care is another area in which UC's graduate programs contribute to state workforce needs. Over the next decade, the University projects that more than a quarter of graduate enrollment growth will occur in the health professions.

UC's contribution toward fulfilling the state's need for intellectual resources is not limited to science, engineering, and health care. In addition to the needs of a technologically-based economy, California and the nation face many social challenges that require highly-educated individuals to analyze and solve problems as they shape California's future. UC graduate programs in the arts, humanities, social sciences, and professional fields continue to serve these needs.

- Notwithstanding the current economic climate, professional and managerial jobs are California's fastest growth occupations, creating thousands of jobs for financial managers, marketing executives, computer scientists, engineers, consultants, and many other professionals. These professional and managerial jobs typically require at least a bachelor's degree and often a master's or doctorate.
- UC prepares highly-skilled and creative school administrators, architects, lawyers, public health and public policy analysts, social workers, urban planners, and other professionals who add to the state's economic and social well-being.
- Recent reports show that the arts contribute $5.4 billion to California's economy. Alumni of UC's graduate programs are represented in every sector of the arts world, leading and building programs and creating new ideas. California's entertainment and digital media industries are thriving precisely because of the many writers, musicians, visual artists, and actors the University trains.

Graduate Students and Higher Education

No less important is the crucial role UC graduate students play in higher education in California, both as future faculty at UC, CSU, and other California colleges and universities, and as teaching and research assistants while in graduate school. Both UC and CSU depend heavily on the graduates of UC's Ph.D. programs: nearly a quarter of UC and CSU tenure-track faculty members have a doctoral degree from UC. California's four-year colleges and universities will need to hire more than 25,000 new faculty between 2007 and 2020, including over 8,000 for UC alone and close to 12,000 for CSU, to teach the growing numbers of undergraduates and to replace retiring faculty. Because many doctoral institutions in other states are not planning graduate enrollment increases, even more of these new college faculty than in the past may need to come from UC's graduate programs.

Growth in graduate enrollments is necessary to maintain excellence in instruction and research, distinctly part of UC's mission. New faculty members are attracted to UC in part because of the high caliber of graduate students with whom they can work. While teaching assistants help meet UC's overall instructional needs, their primary importance lies in the ways they complement

faculty roles: leading small discussion groups and laboratory sections, offering a wider range of perspectives and delivery modes, and serving as mentors for undergraduates.

Graduate students are also vital to UC's discovery and innovation enterprise. Especially in the sciences and engineering, the research process entails research teams, and graduate student researchers, as key members of these teams, have been central to the creative breakthroughs that have made UC one of the world's greatest universities. Graduate students further amplify UC's research contributions by supervising and mentoring undergraduates engaged in research projects, thus enabling greater involvement of undergraduates in primary research activities.

In the 21st century, access to an undergraduate education is no longer sufficient. While recent increases in undergraduate enrollments have served to provide access for Tidal Wave II, members of this second wave will seek to further their education beyond the baccalaureate level in the coming years. Following the extraordinary growth in high school graduates during the current decade, the population aged 25-34 in California will grow 17% between 2010 and 2020. As a result, demand for graduate education will increase substantially, particularly from the University's own baccalaureate graduates — 75% of UC undergraduates state a desire to earn a graduate or professional degree. The University has an obligation to provide Californians with the opportunity to achieve at the highest levels. This is particularly important because the state's underrepresented ethnic minority students, who have historically had much lower rates of graduate education, are projected to become the majority of California's population within the next 15 years. Unless more pursue graduate study, not only will their horizons be more limited, but the state will have even greater difficulty meeting its future workforce needs.

Graduate Academic Student Aid

The competitiveness of graduate student support for UC graduate academic students and its impact on the ability of the University to enroll top students from across the world has been a longstanding concern at the University. Several administrative and faculty groups and committees, including the 2001 Commission on the Growth and Support of Graduate Education, have taken up the issue and concluded that both the size and composition of UC's awards for graduate academic degree students are not fully comparable to the best offers UC students receive from competitor institutions. Recently, the longstanding concern about the competitiveness of UC's awards has been joined by concerns about the impact of cost increases — especially increases in nonresident tuition and systemwide fees — that have been instituted in response to declining State support for the University's budget.

Concerns about the competitiveness of the University's awards were substantiated by surveys conducted in 2001, 2004, and 2007 of students admitted to UC's academic doctoral programs. These surveys showed that the competitiveness of UC's offers varied across academic disciplines and campuses, but also indicated that the average amount of student financial support offered by the student's top choice UC doctoral program was substantially less than that offered by the student's top choice non-UC institution. This shortfall has been exacerbated by differences between the cost of living in the communities surrounding UC campuses compared to those of other institutions. On a more positive note, the surveys also indicated that the competitive gap between UC's offers and those of students' top-choice non-UC institutions (excluding cost-of-living differences) did not increase in real terms between 2001 and 2004, and declined between 2004 and 2007.

In 2006-07, the University also created an ad hoc Graduate Student Support Advisory Committee

(GSSAC) to establish specific graduate support benchmarks, develop short- and long-term strategies for enhancing graduate student support, and review the methodology for allocating UC systemwide funding for graduate student support. The final report of the Committee included three principal findings:

- Anticipated increases in traditional funding levels for graduate student support will be inadequate to allow the University to achieve its twin goals of closing the competitive gap and meeting its enrollment growth targets. The Committee estimated that an additional $122 million of support would be necessary for the University to improve the competitiveness of its awards and to achieve its graduate academic enrollment goals by 2010-11.
- The cost of covering tuition for first-year domestic nonresident students and for international students who have not yet advanced to candidacy limits the extent to which UC graduate programs can compete for and enroll the highest quality students.
- Research and training grants cannot be relied upon both to fully cover all future tuition and fee increases and to help increase the University's competitiveness.

For several years, the University took steps to improve graduate student support. First, fee increases during recent years have been offset in part by new UC graduate student support funding generated by the fee increases themselves. The percentage of new fee revenue returned to students in financial aid was increased from 20% in 2004-05 to 50% in 2005-06. Over the last three years, this increase has provided funds to cover the fee increases for students receiving University fellowships and teaching assistantships.

Second, between 2005-06 and 2008-09, the University augmented its graduate student support programs by an additional $40 million from a combination of campus and systemwide fund sources. This approach reflects a shared responsibility at the systemwide and campus level to address the widespread concern about the University's ability to provide competitive award packages for graduate academic students, especially international students faced with the added expense of nonresident tuition.

Finally, the University has not increased graduate nonresident tuition levels since 2005-06. The foregone revenue has been judged to be a worthwhile trade-off in order to avoid further demands on limited fellowship and research assistantship funding caused by a tuition increase. By maintaining nonresident tuition for graduate students at the 2004-05 level, the University also continued to reduce, in inflation-adjusted dollars, the costs associated with covering nonresident tuition for out-of-state and international students.

For 2009-10, the University is proposing mid-year mandatory fee increases for undergraduate and graduate professional students of 15%. For graduate academic students, these increases will be significantly lower, only 2.6%, in order to ensure that faculty research grants are not over-burdened by the cost of immediate increases. For 2010-11, fee increases will be 15% for all students and the University's proposed expenditure plan includes setting aside 50% of any new graduate academic fee revenue so that campuses may cover the associated cost increases for University-funded teaching assistants, fellowships, and research assistantships. The University will also freeze nonresident tuition for graduate academic students for the sixth consecutive year, further reducing the real cost of nonresident tuition in each of the past few years. Lastly, in response to continued concern about the University's ability to provide competitive award packages for academic graduate students, the 2010-11 expenditure plan includes an additional $10 million in funds for graduate student support if the University's

request for restoration of State funding to 2007-08 levels is approved.

Diversity

The Board of Regents has a sustained interest in diversity, and convened its most recent study group on the topic in 2006. As a result of the study group recommendations, the Regents adopted as policy the UC Diversity Statement.[1]

The Regents also affirmed that change is needed to more effectively seek and support diversity. While there are many pockets of success and innovation, the University must focus greater and sustained attention on its diversity efforts. To monitor these efforts, the Regents requested an annual accountability report on diversity at UC.

The first of these reports was prepared in September 2009, and describes a wide variety of diversity initiatives being undertaken on the campuses and at the Office of the President. Each campus has developed or is in the process of developing short- and long-term strategic plans. They have designated diversity leaders and diversity committees that are charged with working on initiatives and processes to increase the number of underrepresented minorities among students, faculty, and staff. Initiatives include: fostering relationships with public elementary, middle, and high schools; direct communication with prospective undergraduates and their families; programs to assist underrepresented freshmen in meeting academic goals and integrating into campus life; diversity training for students and faculty; encouragement of doctoral and post-doctoral research on diversity issues; and staff training programs to improve competence and for career advancement. All of the campuses are actively promoting the Principles of Community that restate the campuses' commitment to diversity, inclusivity, and respect for differences among people.

Some examples of campus initiatives include:

- The Berkeley Diversity Research Initiative supports interdisciplinary scholarly research on diversity, equity, and inclusion, and on factors that promote these values.
- Reservation for College, a UC Davis initiative for public school students, promises financial aid to students who stay on track for college and are competitively eligible for admission.
- The California Community College Internship Program was initiated by the Graduate Division at UC Irvine to support doctoral and MFA students interested in pursuing careers at the community colleges. The program is attended by UCI students who came from the CCC system and who want to give back to the community that helped them achieve their professional goals.
- Faculty search committees at UCLA undergo training on best practices in the search process and on bias in evaluating women and underrepresented individuals seeking faculty employment.
- UC Merced is strategically located to attract a diverse student population and, in fact, enrolls the most diverse student population among the UC campuses. Over half of its students are the first in their families to attend college and there is no ethnic or racial majority among its undergraduate and graduate student bodies.
- UC Riverside has a large student population of underrepresented minorities and has been designated an Hispanic-Serving Institution under federal education standards. Among its efforts for undergraduates are: first-year learning communities, supplemental instruction, early alert programs, success workshops, and research opportunities for transfer students.

[1] This statement can be accessed at www.universityofcalifornia.edu/diversity/documents/diversityreport0907.pdf.

- UC San Diego has a Business Officer Academy, a staff enrichment program that provides training, guidance, and support for staff interested in careers as business officers.
- UCSF established the Institutional Research and Academic Career Development Award, a fellowship award for underrepresented postdoctoral scholars that includes extensive mentoring in research and teaching to improve the transition to faculty positions.
- UC Santa Barbara is one of five southern UC campuses that participate in the Leading Through Diversity Partnership for Faculty Equity and Diversity. Funded by an NSF Award, the partnership supports the implementation of innovative practices that have been demonstrated to be effective in increasing the representation and advancement of women and underrepresented minority faculty, particularly in the science and engineering fields.
- The Student Affairs Division at UC Santa Cruz has established programs to help staff develop skills and advance to management positions. The Language Instruction Program provides English as a Second Language classes to dining staff. The Dining University curriculum includes training on UC policies and on work-related topics such as customer service, so that food service workers can advance in the organization.
- The Office of the President has revised the reporting metrics for executive search firms to provide greater information regarding the diversity of candidates considered for senior management positions.

Diversity Among the University Community

The University community is comprised of students, faculty, and staff – and there are multiple subcategories within each group. The most racial, ethnic, and gender diversity is found among undergraduate students, and the least among faculty.

UC often describes its diversity aspirations in terms of "reflecting the diversity of California." Both the University and the state are much more diverse than the nation as a whole. However, University demographics have not kept pace with California's growing Chicano/Latino population.

In 2008-09, the overall University community was 14% Chicano/Latino, matching the national average, compared to a much larger percentage of the population in California at 34%. For African Americans, UC was closer to the figure for California — 5% for UC, compared to 7% for California, and 13% for the nation as a whole. Following is a summary of findings from statistics gathered for 2008-09 by different University groupings.

Staff Diversity. The most diversity is seen among the Professional and Support Staff, and the least among the Senior Management Group. Despite some progress over the years, in 2008 the Senior Management Group was 80% white, and 67% male. Among the Professional and Support Staff, roughly two thirds are women across all racial and ethnic groups. Los Angeles and Riverside have the highest percentages of underrepresented staff, and women are more than 50% of the workforce on every campus and at the Office of the President.

Faculty Diversity. The ladder rank faculty at the University of California is more diverse than the faculty at the American Association of Universities (AAU) public and private institutions. However, the faculty is still over 60% white and male across all campuses. At the assistant professor level, UC hiring of underrepresented faculty in life sciences exceeds the national availability by 2%, but is below the estimated national availability in other discipline categories. At the associate and full professor levels, UC hiring exceeds the national availability in humanities and social sciences by 2%, but again, hiring is below the estimated national availability in other disciplines.

Graduate Academic Student Diversity. UC's graduate academic programs lack racial and ethnic diversity. However, within each racial and ethnic category, women are well represented. More African American women were enrolled than men, 59% to 41%; but the reverse was true for white women, who were only 45% of enrolled students, compared to 55% for white men. Across all racial and ethnic groups, men receive more Ph.D.s in physical sciences, math, and engineering.

Graduate Professional Degree Student Diversity. Underrepresented students are a very small percentage (14%) of total professional degree students. Across all racial and ethnic groups, men received the greatest percentage of professional degrees in business. For women, the greatest percentage of professional degrees awarded was in "other health" fields (dentistry, nursing, optometry, pharmacy, public health and veterinary medicine); with the exception of Chicana/Latina women, who received the highest percentage of their degrees in education.

Undergraduate Diversity. UC has more diversity among undergraduate students than graduate students, but African Americans are still significantly underrepresented at every campus compared to the other racial and ethnic groups, and compared to the University's eight comparison institutions.

In 1989, California public high schools graduated 72,306 students from historically underrepresented groups. By 2009, that number had grown to 181,065. By comparison, over the same time period, the UC freshman class grew from 3,383 to 7,056, and the percentage of underrepresented students in each UC class increased from 21.3% in 1989 to 25.1% in 2009.

For African American students, the percentage of total high school graduates has been stable, between 7.1% and 7.7% over the past 20 years. For Chicano/Latino students, however, it is a very different picture. In 1989, Chicano/Latino students were only 21% of public high school graduates in California, compared to over 40% today. UC has enrolled more Chicano/Latino students each year, but has not kept pace with this rapidly growing population.

Information Technology

As in all modern universities, information technology (IT) pervades the University of California. IT has become an overarching issue for the University, as every academic and administrative area and function depends on information technology systems and services for communication, operations, analysis, and information storage and retrieval.

In 2006, UC launched a widely consultative, two-year systemwide planning process under an IT Guidance Committee (ITGC) that looked at administrative and academic applications of information technology. The ITGC's goals were to improve essential IT services that are commonly required (but not economically supported by campuses, medical centers, or organized research units) by identifying efficient and cost-effective investment strategies that promise to:

- ensure a robust technology infrastructure and the tools for access to and protection of UC's vast repositories of information assets;
- enable researchers to compete and lead on an international scale with the computing and network capabilities required for success;
- advance learning and instruction via tools for the 21st century;
- enable students to live and work in a "wired" environment adapted to their lives and learning styles;
- support academic and administrative operations to ensure effective stewardship, accountability, and transparency; and

- expand the virtual presence of the University in the national and international communities.

Building on the ITGC's work, in 2008, a work group was commissioned to explore opportunities for initiatives that would improve quality and lower the cost of administrative processes, systems, and services. A few of the most significant initiatives discussed in the work group's report, "Building Administrative Efficiency," include creating a systemwide human resources information system, pooling campus resources to establish northern and southern regional data centers to accommodate increased computing capacity needs at each campus, and creating a systemwide data warehouse. Together, the ITGC and Building Administrative Efficiency reports constitute the University's strategic IT plan.

IT touches each aspect of the University's tripartite mission and affects daily business operations.

IT and Instruction

Instruction increasingly relies on technology within classrooms and laboratories, but also to connect students, faculty, and instructional materials outside of these physical spaces. Strategic investments are essential if UC is to compete successfully for the best students and to prepare those students appropriately for employment in a knowledge-based economy where facility with leading-edge analysis, communication, and collaboration tools is required. With strategic IT investments, classroom-based instruction can draw in real time from across the UC system and other universities around the world, allowing students to learn anywhere at anytime and enabling students and faculty to build communities of interest without geographic boundaries.

IT and the Research Enterprise

The research enterprise, having always relied on the most advanced technologies of the time, expands and innovates with the introduction of new technology. UC researchers increasingly rely on IT as new frontiers in research utilize simulation and modeling to bridge from theory to experimentation. In order to succeed, even to participate in these efforts, University researchers require advanced computational and network services, and a range of data sharing and scholarly collaboration tools that reduce the barriers associated with distance, language, and time.

Strategic investments in IT are also essential to support researchers with innovative technologies and to bolster their ability to attract large-scale research funding from state, federal, philanthropic, and corporate entities. The ITGC consulted broadly with the research community to advance strategic planning that promises efficient development of a research cyber-infrastructure that will keep the University, its campuses, and its researchers competitive.

IT and Public Service

The University's public service mission has also been fundamentally reshaped by technology, as UC's libraries and student academic preparation programs now reach electronically throughout the state. Instructional materials developed for UC students, publications by UC faculty, and other information resources available from UC's libraries, museums, and archives will, where appropriate, be made available for use within California's schools and community colleges to help to prepare more students for entry into California higher education system. Such materials will also be available to the University's graduates and to the citizens and enterprises of the State of California, encouraging continuing engagement with the University's rich cultural, civic, economic, and educational resources.

IT and Business Operations

Finally, UC's business operations increasingly rely on advanced systems to support the institution's administrative responsibilities. ITGC has paid particular attention to basic IT services that enable UC to operate as both a business and an academic

entity. Investments in IT produce significant efficiencies and deliver critical new services in University business administration and operations. However, in recent years of budget cuts and fiscal constraints, under-investment in some key areas of administrative computing and related infrastructure has negatively impacted the University's ability to improve productivity and reduce labor costs and has hampered efforts to address critical issues and opportunities in such areas as medical record systems, research administration, student systems, e-procurement, and employee self-service applications. ITGC has acknowledged the imperative to invest in effective business processes and systems. Inadequate systems to collect and manage information about UC employees, both at the campus and systemwide levels, have been a significant liability to UC in light of growing demands for greater transparency and accountability. The first step in moving toward a modern human resources information system is the effort underway to standardize around a best practices-oriented set of common business processes in the UC payroll function to achieve savings and increase efficiency and reliability.

Key Strategic Directions

While the University's missions and functions each involve specific IT needs, enhancement of network services, access to a secure, high-speed network in support of evolving needs for expanded services and connectivity, greater bandwidth, and network-based services benefit the entire UC community.

The Shared Research Computing Services Pilot project, a key initiative underway, relies on the existence of the CENIC high speed network and is a subset of the regional data centers effort. Over two years, 24 faculty principal investigators from across the University will conduct their research computing not on local servers, but at regional centers, allowing access to technical support, regular back-up of their research data, and the ability to increase computing capacity on demand. Campuses benefit from lower electrical costs and freed up valuable space. It is expected that such "cluster computing" will become the way of the future for much of UC's research computing.

Information security is another high priority in today's high tech society and especially so in the university environment, which tries to balance the academic tradition of open access to information with the need to protect individual privacy and personal information. UC has identified areas where further investment in security measures will help prevent incidents that put personal information at risk and disrupt operations at significant cost and lost time to the University.

Funding Information Technology Advances

The Higher Education Compact with Governor Schwarzenegger includes provisions for 1% budget increases in 2008-09, 2009-10, and 2010-11 to address budgetary shortfalls in State funding for core areas of the budget critical to maintaining the quality of academic programs, including information technology. Investing in the University's future requires an ongoing commitment to funding technology. Technical solutions purchased with one-time funding will require ongoing maintenance and support. Emerging business, legal, regulatory, research, and student learning demands require extensive investment, both new and ongoing, in technical solutions. Despite the continuing fiscal difficulties, a budgetary solution must be identified if UC is to keep pace with developing technologies.

Core Academic Support

Several areas of the budget are critical to academic quality, but have been historically underfunded. Collectively referred to as core academic support, these areas require ongoing support and new investments to ensure that the University is able

to recruit and retain the best faculty and students. Core academic support includes:

- instructional technology to enhance and enrich students' learning experiences and prepare them for employment in a global knowledge economy (discussed at length above);
- instructional equipment replacement, providing up-to-date computing, laboratory, and classroom materials for teaching and research;
- library resources to build print and digital collections and to continue strategic investments in advanced cost-effective reference and circulation services; and
- ongoing building maintenance to support the janitorial, groundskeeping, and utility costs associated with maintaining facilities.

The Partnership Agreement with former Governor Davis recognized the shortfall in these areas and planned a 1% adjustment to the base each year to help address the gap. Funds were provided for this purpose for two years. Once the State's fiscal crisis began in the early part of this decade, however, not only were increases discontinued, but program cuts erased the progress that had been made from earlier funding increases. The shortage in these areas was estimated in 2007-08 to be over $100 million. State funding reductions since mean that funding for core academic support is further short of the University's needs.

The Compact Agreement with Governor Schwarzenegger again recognizes the critical nature of the shortfall in these budget areas and proposes a 1% annual adjustment in the base budget beginning in 2008-09 to help address the shortfall. The additional 1% base budget adjustment was first funded in the Governor's 2008-09 budget proposal before applying a 10% budget-balancing reduction. Thus, no new funding was provided for these purposes and no progress has been made during this decade toward closing these shortfalls. Similarly, in 2009-10, no new funding was provided for this purpose and in fact deep base budget cuts were initiated, further exacerbating the chronic funding shortfalls in these areas. When the State's fiscal situation improves, rebuilding support in these areas will be critical to the quality of UC's programs over the long term.

Planning for the Longer Term

While the swings of the State's economy and its impact on UC have created considerable fiscal uncertainty in recent years, it is prudent that the University look beyond the annual budget cycle to take a longer view, looking at least twenty years into the future. The University must consider what the State of California will need in the coming decades and identify the ways in which the University can contribute to meeting those needs. As part of this process, consideration should be given to the changing nature of the state's economy and demographics, the balance of the University's missions and roles, and global competition for intellectual capital.

A knowledge-based economy means that higher education is more important than ever to economic competitiveness and the quality of life. Higher education is a pathway to upward social mobility for a changing population. More Californians will want and need a university education for tomorrow's jobs. Innovations that result from the University's research and the creative solutions and visionary thinking of its graduates lead to new products, better processes, new companies, and sometimes entirely new industries. Both access to the University and protection of its quality are imperative if this valuable public asset is to continue to keep California competitive. The investments that the State makes over the next 10 years in California's competitiveness may well determine the state's economic fortunes for the next 40 or 50 years.

In this context, Board of Regents Chairman Russell S. Gould launched a commission in July 2009 that will shape a far-reaching vision to ensure excellence and access to UC in the future while addressing acute financial challenges resulting from the State's current fiscal woes. A critical focus of the commission, in addition to preserving the excellence of UC while facing economic realities, will be to find ways to maintain and even expand UC's substantial contributions to California's economy and cultural life.

The commission will use working groups to reach out to the entire UC community and an array of experts inside and outside the system to re-examine key questions, including:

- How can UC best meet the needs of California and at the same time maintain access, quality, and affordability in a time of diminishing resources?
- What educational delivery models will both maintain quality and improve efficiency for the university's future?
- What is the appropriate size and shape of the university going forward?
- How can traditional and alternative revenue streams be maximized in support of UC's mission?
- How can UC best utilize new models for research practices and collaboration, both within and outside the system?

Other new strategies are being implemented to improve the process of deliberation about priorities and solutions. A new budget process engages the University community, the Board of Regents, and the public, in an open dialogue about the University's budget needs and priorities. Online information resources make detailed information about the University's progress routinely available via the web. One example is UC's Accountability Framework, which is the University's new initiative to comprehensively assess and share its progress in meeting key institutional goals across the 10 campuses. The annual report will help inform strategic planning, budgeting, and performance management, as well as help focus the Regents on the most important policy issues facing UC. Focused or targeted planning efforts — such as the University's report, *Long Range Enrollment Planning*, the strategic plan of the University's IT Guidance Committee, and the efforts to improve the efficiency and reduce the size of the Office of the President — mobilize actions behind initiatives that reflect university strategies.

Long Range Enrollment Projections

During early 2008, as part of its ongoing academic planning efforts, UC developed new long-term enrollment projections through 2020-21.

The University's previous long-term enrollment plan, revised in 1999, called for annual enrollment growth of 2.5%, or about 5,000 FTE, over this decade. This rapid rate of growth was necessary to accommodate growing numbers of qualified high school graduates as well as to meet the state's need for expanded transfer opportunities and graduate education. As originally designed, by 2010-11, the University would reach its planned target of 216,500 FTE. However, in the early part of this decade, the University experienced far more rapid enrollment growth than projected in the 1999 plan. Following a pause in enrollment growth in the middle of the decade, the Compact with Governor Schwarzenegger called for UC to return to its earlier estimates of 2.5% enrollment growth per year through 2010-11.

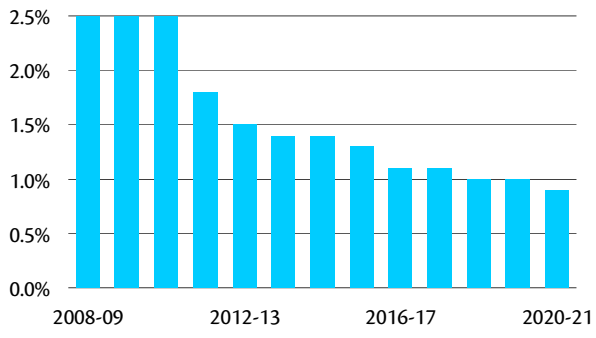
The University's projections for the next decade, published in March 2008, included more modest growth at the undergraduate level as numbers of high school graduates level off, but continued growth at the graduate level to meet the state's workforce needs. While individual campus plans and programs are still evolving — and should remain flexible to respond to new and emerging

opportunities and challenges that may face California— the University's overall direction can be characterized as continued moderate growth through the next decade to help meet state workforce needs and University academic priorities. However, realization of this plan will depend on the availability of State resources to adequately support enrollment. Findings of the enrollment plan are summarized as follows:

- UC will continue to grow, though more slowly than in the last decade. The University proposes projected total enrollment in 2020-21 of 265,000 FTE students. Annual growth from 2010-11 through 2020-21 will slow and will be roughly 1.1%, considerably lower than the 2.5% annual growth planned and more than realized for the current decade.
- Undergraduate growth will expand opportunity to populations historically underserved by higher education. UC will take advantage of slower growth among high school graduates to offer opportunity to a broader group of California students, including low-income students, those who are the first in their families to complete a four-year degree, students from underserved communities, and transfer students. Proposed growth of 26,000 undergraduates through 2021 will increase the proportion of California public high school graduates enrolling at UC to an all-time high of 9.2%.
- Accelerated growth in graduate enrollments will fuel California's economy and provide social and economic mobility. To help the state remain competitive in a knowledge-based global economy, UC proposes to increase graduate enrollments by roughly 22,000 students by 2020-21. More than a third of proposed growth is expected to occur in life and physical sciences, engineering, and math and more than a quarter in professional programs to train doctors, public health professionals, veterinarians, nurses, and other critical health professionals.
- Enrollment growth will enhance diversity. UC will expand in regions and in fields where underserved populations can most benefit. Undergraduate growth will be greatest in the Central Valley and Inland Empire—regions that lag the rest of the state in college opportunity and support diverse and growing populations. At the graduate level, campuses will increase enrollments and develop new programs in areas that both attract and serve diverse populations, such as programs that train doctors to work in underserved communities.
- Campus enrollment projections will take into account the needs and concerns of neighboring communities. Campuses are proposing new programs that respond specifically to regional needs. Those campuses that are approaching enrollment levels on which their long-range development plan is based will use a variety of strategies, including summer and off-campus enrollments, to minimize impacts on their local communities.

DISPLAY V-4: PROJECTED ANNUAL ENROLLMENT GROWTH RATES

In early 2008, UC developed new enrollment projections for the coming decade. Consistent with earlier plans and the Compact, student enrollment would grow 2.5% annually through 2010-11 to accommodate Tidal Wave II. In the next decade, UC would grow more slowly, but would expand opportunity for underserved populations while also increasing graduate enrollments to help meet the state's workforce needs.



The March 2008 projections were developed at a time when the outlook for continuing support from the State for enrollment growth was more positive. Given the State's inability to provide enrollment growth funding and the significant reductions in State support for UC during the last two years, prospects for State support for further enrollment growth during the next decade are of concern. As described in the *General Campus Instruction* chapter, to address budget shortfalls, the University has taken steps to reduce the number of incoming freshman in order to lower total enrollments over the next several years. Longer-term enrollment levels will be influenced by a variety of factors, including solutions to current budget shortfalls.

Facilities Needs to Accommodate Enrollment Growth and Maintain Quality

Adequate facilities are a critical factor in the University's ability to accommodate the expected enrollment growth of students and maintain the quality of the academic program. To participate in the delegated process for approval of projects less than or equal to $60 million, each campus has developed or is in the process of developing Ten Year Capital Financial Plans that articulate the campus's expectations for implementing projects. These plans will be updated annually. Within those plans are the five-year State and non-State capital plans that will comply with the State's five year capital reporting requirements. Facilities needs and campus plans are discussed in detail in the *2009-15 State and Non-State Capital Improvement Program.*

The State provided funding for capital outlay within the range of $100 million to $250 million per year for more than a decade from the mid-1980s to the late 1990s. Between 2002 and 2007, the State provided about $345 million per year for capital outlay needs of the general campuses, and in some years significantly more, related to seismic corrections at UC medical centers, construction of the Merced campus, establishment of four world-class science institutes (the California Institutes for Science and Innovation), and expansion of medical school programs.

General Obligation bonds approved by the electorate have provided significant resources over the years. Between 1998 and 2009, total funding provided was $2.8 billion. The University also received capital funds from other State sources in recent years, including both State General Funds and lease revenue bonds totaling $1.8 billion. In addition, the University has used more than $205 million of "Garamendi financing" to pursue development of research projects.

Because the State did not pursue a new General Obligation bond measure in 2008, funding for the University's 2008-09 capital budget was scaled back from $388 million to just $261.3 million, including $205 million for six projects funded from lease revenue bonds.

For 2009-10, the State provided only $30.9 million in existing General Obligation bond funds, primarily to support medical education and telemedicine projects. Over the two-year period, then, less than one-third of the funding requested to meet high-priority needs was provided to UC.

Because of the delayed enactment of the 2008-09 state budget and the worsening of the State's financial condition, the State was unable to access the bond market or obtain new interim financing for the second half of 2008, resulting in an all-time high of unreimbursed loan expenditures for capital improvement projects statewide. To address this problem, the Pooled Money Investment Board (PMIB) took the unprecedented step in late 2008 of suspending State-funded loan disbursements for existing projects across the State. In addition, PMIB suspended approval of new loans for appropriated projects that had not yet begun.

Appropriations for 68 UC projects totaling $983 million were initially halted or suspended as a result of the freeze. In April 2009, the University received an exemption from the freeze. Funding from two General Obligation bond sales totaling $62.8 million and $164.8 million respectively as well as lease-revenue bond sales totaling $142.6 million was provided. These funds allowed the 11 exempted projects to continue and 5 additional projects to restart. To facilitate completion of 18 additional voter-approved building projects, UC issued approximately $200 million through the sale of short-term commercial paper to purchase a privately placed State General Obligation bond. This effort enabled projects that had been stopped at eight campuses to resume. The State is obligated to redeem the bond within three years, with interest. Funding totaling $413 million for the remaining 24 projects, including 7 to be funded from lease-revenue bonds, remains suspended.

Earlier this decade, the University's capital program was particularly challenged by changes in the construction market that resulted in an extraordinary increase in building cost. This escalation in costs has abated in recent years, such that the actual cost of construction for some projects have in fact resulted in bid savings.

The major issue facing the University now is the availability of future State funding for capital outlay. Catching up with earlier enrollment growth presents major challenges, and the University has significant capital needs related to seismic and life-safety requirements, modernization of out-of-date facilities, new infrastructure for growing campuses, and renewal of infrastructure and other facility systems that are worn out and cannot accommodate present needs.

The University estimates that it will require more than $1 billion per year over the next five years to address its most pressing facilities needs for core academic and support space traditionally funded by the State. Recognizing difficulties faced by the State, the University has committed to meeting a portion of this annual need through private fundraising. In addition, there are other urgent needs in areas traditionally not supported by the State, such as student and faculty housing, parking, and other facilities that serve public as well as University needs. Unfortunately, the magnitude of these non-State funded facilities needs places significant pressure on the University's debt capacity.

State funding in 2010-11 and beyond would enable the University to address its most essential enrollment, life-safety, and renewal needs, priorities that are key to the University's ability to accommodate enrollment and maintain adequate facilities.

The capital outlay budget and history are discussed in more detail in the companion document, *2009-15 State and Non-State Capital Improvement Program*.

"Learning doesn't end when you get a diploma, particularly in today's job climate. In addition to teaching students how to learn, UC provides thousands of people each year with continuing education and enrichment courses that make them more marketable to employers."

—Lawrence Pitts
University of California
Interim Provost

UNIVERSITY EXTENSION, SUMMER SESSIONS, AND OTHER SELF-SUPPORTING INSTRUCTIONAL PROGRAMS

University Extension

University Extension is the largest continuing education program in the nation, providing courses to more than 320,000 registrants who are typically employed adult learners with a bachelor's degree. UC Extension is a self-supporting operation and its offerings are dependent upon user demand, which varies due to many factors, including the strength of the economy. In 2008-09, University Extension expenditures, derived from fee revenue, totaled $207 million.

The University offered its first Extension courses to students beyond the immediate campus community more than 100 years ago. Today, Extension divisions at each of UC's nine general campuses offer more than 24,000 different courses, programs, seminars, conferences, and field studies throughout California and in a number of foreign countries. Almost 60% of Extension's offerings are designed to serve the continuing educational needs of professionals. More than 1,300 certificate programs are offered in such areas as computing and information technology, environmental management, graphics and digital arts, and health and behavioral sciences.

UC Extension offers a wide variety of online courses to students in California, the nation, and around the world ranging from undergraduate courses carrying UC academic credit to professional-level courses in subjects such as project management, computer programming, and technical writing. These courses extend the instructional resources of the University to the world community.

Extension also offers degree-equivalent study in undergraduate education programs and cultural enrichment and public service programs. Various undergraduate degree credit courses are available, either as replications of existing UC campus courses or structured as undergraduate classes but with content not found in an existing campus offering. Extension explores history, literature, and the arts in traditional and innovative ways, providing cultural enrichment to Californians. Extension also organizes lecture series, summer institutes, public affairs forums, and other events for the general public.

Summer Sessions

In addition to the University's course offerings during the regular academic year, both UC and non-UC students may enroll in courses during summer session on all nine general campuses. Historically, the State provided funding for UC students enrolling in the fall, winter, and spring terms, but not summer; through Summer 2000, summer sessions were supported from student

course and registration fees set by each campus. With State support, UC began converting summer instruction for UC students from a self-supporting to a State-supported program in 2001-02 and completed the conversion of all general campuses in 2006-07. For UC students, funding for summer has been shifted to the general campus instruction budget. Further discussion of State-supported summer instruction may be found in the *General Campus Instruction* chapter.

Funding for non-UC students remains in the Summer Sessions budget. In 2008, 9,743 non-UC students registered for UC summer sessions, many of whom are regularly enrolled at California State University, California Community Colleges, or other institutions. Non-UC students pay fees that support the full cost of their education. Fees generated from non-UC students provided $9.3 million in 2008-09 for support of summer instruction.

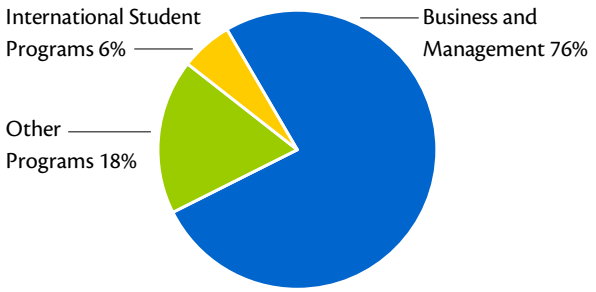
Self-Supporting Programs

The University operates nearly 40 self-supporting graduate degree programs. These programs, developed in accordance with the Regents' *Policy on Self-Supporting Part-Time Graduate Professional Degree Programs*, are intended to provide flexible part-time pathways to graduate professional degrees for academically qualified working adults who cannot be full-time students. Extending the opportunity to enroll part-time in graduate professional degree programs to those who need to continue their employment while studying is consistent with the University's mission in graduate professional education.

Self-supporting part-time graduate professional degree programs adhere to the same UC academic standards as do other graduate degree programs, but are not supported with State funds. Full program costs, including but not limited to faculty instructional costs, program support costs, student services costs, and overhead, are covered by student fees or other non-State funds.

DISPLAY VI-1: 2008-09 SELF-SUPPORTING PROGRAM HEADCOUNT ENROLLMENT BY DISCIPLINE

More than three-fourths of self-supporting program enrollment is in MBA and other management programs for working professionals.



The University's oldest and largest self-supporting programs are evening/weekend and executive MBA programs for employed professionals. More recently, programs have been established in a range of disciplines, and include online programs, off-site programs, joint programs with other institutions, and programs for foreign-trained students.

During 2008-09, enrollment in the University's self-supporting programs totaled nearly 4,000 individuals and over 3,000 FTE students. These programs generated nearly $109 million in fee revenue during 2008-09.

"From agriculture, to computer technology to bioscience and environmental innovations, UC research has had a hand in jump-starting every industry that makes California a global economic leader."

—Steven Beckwith
University of California
Vice President for Research and Graduate Studies

RESEARCH

The University of California is one of the leading academic research enterprises in the United States. UC's outstanding graduate students, postdoctoral scholars, faculty, and professional research staff work diligently in the name of science and progress, searching for cures, developing technologies, creating new knowledge, and training the next generation of innovative thinkers. UC researchers are finding new ways to fight drought, fire, and earthquakes; reduce traffic and greenhouse gas emissions; improve public health; and identify sustainable sources of energy. With over 800 research centers, institutes, laboratories and programs, UC research tackles some of the most pressing problems facing California and the world today.

UC's research enterprise is the result of California's long-term planning and investment, dating back to 1960 and the Master Plan for Higher Education, which established UC as California's primary academic research institution. Over time, this investment has resulted in new technologies, new companies, and new industries - all happening in California. UC trains the highly skilled scientists, doctors, and engineers who shape California's knowledge economy and support its large technology, agricultural, and medical sectors. The State's investment in UC has created one of the most competitive research enterprises in the nation, securing more than $5 in federal and private funding for every State research dollar.

UC RESEARCH AT-A-GLANCE

For every $1 dollar of State funds, UC leverages more than $5 dollars in Federal and private funding.

$3.7 billion in research projects

- 800 research centers solving critical problems for CA and the world
- 16,000 trainees becoming future knowledge workers
- 422 new companies generating jobs and tax revenue

UC's research capabilities, built over many years, reflect a long-term investment and will not disappear overnight. However, with continuing State disinvestment in higher education over the past two decades, and increasing competition for the best faculty and graduate students from national and international universities, UC's preeminence may begin to wane in just a few years. To sustain the research enterprise at UC and its beneficial impact on the State economy, California must renew its investments in UC's faculty and the University's research infrastructure.

The Importance of State Investment in the Research Enterprise

The California Master Plan for Higher Education designates the University as the primary State-supported academic agency for research. Funding

from the State of California has been vital to the establishment of the UC research enterprise and will be paramount for its sustainability and continued excellence. State funds pay for the majority of academic year faculty salaries, and continued state investment in research infrastructure is needed to keep UC faculty researchers competitive for extramural research funding and to continue to attract top notch graduate students and postdoctoral scholars.

State support is critical for ensuring that UC can continue to recruit and retain the world-class faculty who teach and train the next generation of California's workforce. State funding for compensation and benefits enables UC to compete for faculty while funding for enrollment growth allows for new faculty to be hired, expanding both the instructional and research enterprises. As the principal investigators on research grants, UC faculty were responsible for winning $2.8 billion in extramural research awards in 2008-09. Over the past several years, UC faculty have received an average of $500,000 each in extramural awards that support UC's basic and applied research enterprise in a variety of disciplines and research areas. The majority of faculty research grants are portable, however, and if top-ranked faculty leave UC, these research funds leave with them.

Also important to the UC research enterprise are exceptional graduate students, postdoctoral scholars, professional researchers, and specialists supported by State funds. Currently, UC trains nearly 10,000 graduate student researchers and employs or hosts over 6,000 postdoctoral scholars, exclusive of health science interns and residents. Funding for graduate enrollment growth helps expand this pool of individuals who engage in and support research with faculty members.

Another critical aspect of UC's research enterprise is the quality of research facilities, many of which were financed using California state bonds. The California Institutes for Science and Innovation, four world class centers of research excellence, were built with State support and hold the promise of returning California to the cutting edge of engineering and technology. Since 2003, four UC campuses have won roughly $80 million in major facilities grants from the California Institute of Regenerative Medicine (CIRM), a state bond-funded award mechanism to support stem cell research. These newer facilities, along with older, State-funded research facilities, enable UC researchers to conduct cutting-edge research supported by extramural funds. Without continued support for UC research facilities, faculty will be less competitive for extramural funds and the research enterprise will suffer in both the short and long term.

Unfortunately, State support for the University and its research programs is declining at a time when global competition is increasing, raising concerns about the nation's ability to maintain its competitive edge. The cost of doing cutting-edge research in science and engineering is increasing, and more research connected to economic competitiveness requires large interdisciplinary research teams. Research is increasingly more infrastructure-dependent and the costs of compliance with extramural contract and grant requirements have risen rapidly, yet core support for the University's administrative research staff and infrastructure has not kept pace with the amount of funded research.

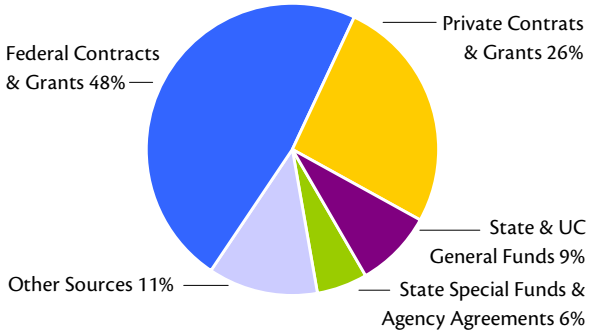
Funding for UC's Research Enterprise

During 2008-09, direct research expenditures totaled $3.7 billion, an increase of 2% over the prior year. Federal, State, and private sources are major providers of UC research funding. Display VII-1 shows actual research expenditures by fund source for 2008-09, and Display VII-2 presents growth over time among the major providers.

Federal Funds. Federal funds are the University's single largest source of support for research,

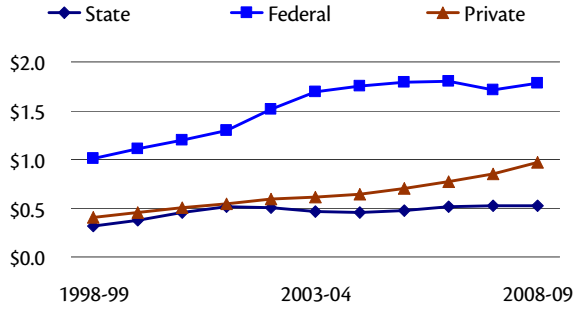
DISPLAY VII-1: 2008-09 DIRECT RESEARCH EXPENDITURES BY FUND SOURCE

Nearly 75% of research funding is derived from federal agencies and private sources.



DISPLAY VII-2: TRENDS IN RESEARCH AWARDS BY SOURCE
(DOLLARS IN BILLIONS)

UC federal direct research expenditures increased rapidly with the doubling of the NIH research budget between 1998-99 and 2002-03, but slowed recently. Private support for research has doubled over the last 10 years.



accounting for approximately 48% of all University research expenditures in 2008-09. About 64% of the University's federal research awards in 2008-09 came from Health and Human Services, primarily through the National Institutes of Health (NIH). Other agencies that figure prominently in the University's awards are the National Science Foundation (NSF), the Department of Defense, the National Aeronautics and Space Administration, and the Department of Energy (DOE). The distribution of research funds by agency is shown in Display VII- 3. In 2008, UC successfully competed for over 6% of the NIH appropriation, and over 7% of the NSF budget, together representing over $2.24 billion in new federal research dollars for California.

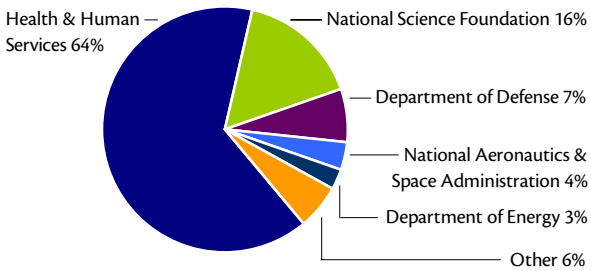
The University remains highly competitive in terms of attracting federal research dollars, with fluctuations in the University's funding closely paralleling trends in the budgets of federal research granting agencies. The outcomes of the annual federal budget process have important ramifications for the University's research budget. Display VII-4 provides a breakdown of Federal funding trends since 1982.

Although federal government funding for university research decreased between 2006 and 2008, it is expected that UC's federal research funding will increase in 2010-11 due to the American Recovery and Reinvestment Act of 2009 (ARRA). As of October 2009, UC researchers have already been awarded $671 million in ARRA grant funding for research and research infrastructure. The largest amounts of ARRA funding awarded to UC have come from three agencies: NIH ($285 million), NSF ($185 million) and DOE ($195 million). Because many awards are multi-year, these research funds will have an impact on UC beyond the 18-month term of ARRA.

Private Funds. In recent years, private sources have become an increasingly important source of research funding. Between 1998-99 and 2008-09, private support for research through gifts, grants, and contracts doubled, as shown in Display VII-2.

DISPLAY VII-3: 2007-08 FEDERAL RESEARCH AWARDS BY SPONSOR

NIH provides nearly two-thirds of federal research awards.



DISPLAY VII-4: HISTORY OF FEDERAL FUNDING FOR UNIVERSITY OF CALIFORNIA RESEARCH

1982-83 – 1992-93	Annual increases in federal support for UC averaged nearly 10%.
1992-93 – 1996-97	Focus on reducing the federal deficit results in much slower growth; federal support for UC rose 4% annually on average, with no increase in 1996-97.
1997-98 – 2001-02	Exceptionally strong growth in the national economy led to funding increases for federal research and development, including a bipartisan commitment to double the NIH budget over 5 years. UC support grew 7-9% each year.
2002-03 – 2003-04	After the terrorist attacks of September 11, 2001, federal budgets contained record increases for federal R&D due in part to new spending on homeland security and defense. UC support grew by more than 10% each year.
2004-05 – 2008-09	The federal budget was constrained due to military commitment to Iraq and Afghanistan, and growth of entitlement programs such as Medicare. Growth in research funding for UC again slowed, with annual increases of less than 4%.
2009-10	Due to an influx of funding from the American Recovery and Reinvestment Act (ARRA), the share of research funding from the federal government is expected to increase by at least $750 million in FY2009-10.

Major sources of private funding for research are foundations, industry, and partnerships with faculty at other institutions. Research expenditures funded by private gifts and grants held steady in 2008-09 at 26% of total research expenditures, but the global economic recession began to cause a decline in new private gifts and grant awards in 2008-09. Due to the continuing decline in private industry revenues and philanthropic foundation endowment values, this trend of decreased private gift and grant research funding may persist through 2009-10.

State Funds. State funds spent directly for research constitute about 15% of total research funding, including State General Funds, Special State funds to support coordinated statewide programs, and state agency agreements. For many University research programs, State funds are the core that attracts extramural funds, providing seed money for research projects vital to California, whether the subject is earthquake engineering or improved crop varieties. Once a research program is up and running, UC leverages the initial investment of State funds by attracting grants from federal and private sources.

In addition to support for faculty salaries and other core support, State General Funds, combined with UC General Funds, provide $294 million for direct research, including:

- agricultural research through the Agriculture Experiment Stations;
- systemwide programs to support research on AIDS, the Industry-University Research Partnerships, biotechnology, and toxic substances research;
- California Institutes of Science and Innovation;
- organized research units on individual campuses; and
- multi-campus research programs and initiatives.

The funds also support permanent and one-time funding for other research activities not formally constituted as MRPIs, including, among others, Internet2, systemwide programs in substance and alcohol abuse prevention, neuro-developmental disorders, spinal injury research, and individual faculty research.

In addition to State General Funds support for direct research, State special funds provided $205 million in restricted funding to support a range of research initiatives, including a coordinated statewide program of tobacco-related disease research administered by the University

($13.1 million for 2009-10). Another tobacco tax provides support for the Breast Cancer Research Program ($12.8 million). The Breast Cancer Research Program also receives special State funds from the California Breast Cancer Research Fund ($778,000), which derives from the State personal income tax check-off.

Similar to federally-sponsored research, California State agencies provide contracts and grants to the University for research. In 2009-10, State agency agreements are expected to generate nearly $165 million in revenue for UC. Major providers of state agency agreements are the departments of health care services, social services, transportation, food and agriculture, and education.

Other Funds. The major source of funds in the "other funds" category is performance fee revenue from the management of the Department of Energy (DOE) laboratories. The Labs conduct research important to the State and the nation, including research on bioterrorism, nuclear nonproliferation, and energy efficiency and new energy resources. While the Laboratories are separate entities, research at the Labs has direct and indirect benefits for University faculty and students. The Laboratories are discussed in more detail in the *Department of Energy Laboratory Management* chapter of this document.

Impacts of University Research

UC research has contributed to the State of California becoming the intellectual and economic power that it is today. Almost all of the industries in which California leads the world – biotech, telecommunications, digital media, computers and semi-conductors, and environmental technologies – grew out of university-based research. UC's world class faculty have attracted and trained graduates that make up one of the world's best educated work forces to meet the demands of the changing economy. In addition, UC researchers have made discoveries and inventions that have benefited the people and industries of California and, in many cases, become the basis for companies that provide jobs for Californians.

Technology Transfer

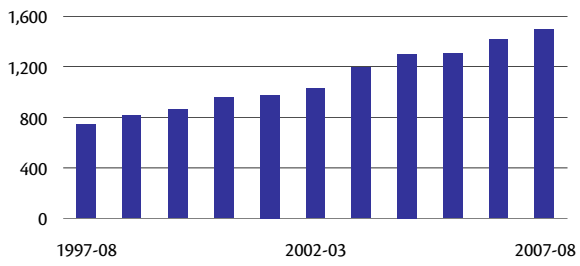
UC is an important generator of ideas and technologies, which can be measured in part by the number of inventions created, patented, and licensed by UC researchers with University resources. For the past 12 years, UC has led the nation in developing patents, and its faculty and graduates are responsible for close to 9,000 active inventions (as of June 30, 2008). During the 12-month period ending June 30, 2008 alone, faculty and researchers at the ten UC campuses disclosed a total of 1,497 inventions, a 6% increase over the previous year, as shown in Display VII-5. A portion of these inventions are patented and licensed to companies that develop UC's inventions into processes and products that enhance the lives of Californians.

Spin-off Companies and Job Creation

As the foundation for start-up firms, many technologies developed in the UC system also serve as an important engine for economic growth. As shown on Display VII-6, 422 companies (as of June 30th, 2008) were founded based on technologies invented at UC since the passage of the Bayh-Dole Act in 1980, which permitted universities and small businesses exclusive licensing of inventions arising from federally

DISPLAY VII-5: UC INVENTION DISCLOSURES

During the 12-month period ending June 30, 2008, faculty and researchers at the ten UC campuses disclosed a total of 1,497 inventions — a 6% increase over the prior year.



funded research when combined with development and transfer of an invention to the marketplace for the public good. These businesses provide tax revenue streams for the state as well as jobs for the people of California. It is projected that UC will have had a hand in creating more than 2 million California jobs this decade (2002-11).

Forty-six of the independent companies founded on UC technologies were within the critical areas of climate change, energy, sustainable water, and healthcare delivery. This includes 4 companies in climate change and environment, 24 in the areas of sustainable energy and energy efficiency, 2 in developing a more sustainable water supply, and 16 in the areas of healthcare delivery. As these issues gain national attention, UC will play a key role in attracting funding, making new discoveries, and building new industries around its research.

Development and Support of Critical Industries
UC research has played a crucial role in the development of some of the state's most successful industries. The modern biotechnology industry was born from the discovery of recombinant DNA technology by scientists at UC San Francisco and Stanford. Since then, UC faculty and alumni have founded one in every four biotech companies in California, and this state is home to approximately one-third of the U.S. biotech industry. The California biotech industry has grown to employ more then 40,000 people and accounts for nearly half of the industry's annual sales.

For many decades UC has worked closely with California's agricultural industry. In the late 1800s, UC researchers discovered how to remove salts from the soils of California's Central Valley, turning what was once barren alkaline land into the most productive agricultural region in the world. Since then, UC has remained committed to supporting the industry by bringing to bear new technologies in crop management, pest control and helping it adapt to changing regulations while remaining competitive. Additional information about UC's Agricultural Experiment Stations appear later in this chapter.

DISPLAY VII-6 ECONOMIC IMPACT OF THE UC RESEARCH ENTERPRISE*

UC invention portfolio	8,953
US patents issued to UC	3,546
Number of active licenses	1,913
Companies founded based on UC technologies	422

*as of June 30, 2008.

Societal Impact – How UC Research Impacts the Daily Lives of Californians

While much of the University's research seems beyond the common understanding of most Californians, the fact is that discoveries and technology developed at UC touch the lives of people in the State and the world every day.

UC medical research has led to dramatic improvements in the diagnosis and treatment of disease. The University assumed a major leadership role in the battle against AIDS, and its researchers were among the first to describe the syndrome and the malignancies associated with it, and to isolate the causative agent for AIDS in humans. Genetic engineering technologies being developed at UC promise to help find cures for some of the most serious health problems, such as cancer, Alzheimer's disease, and other illnesses of aging, cardiovascular disease, and arthritis. Other medical advances growing out of UC research include a laser treatment for previously untreatable eye conditions; high energy shock waves to disintegrate urinary stones without surgery; a nicotine skin patch worn on the upper arm to wean smokers off cigarettes; corrective surgery before birth for formerly fatal abnormalities; an inner-ear implant that enables the deaf to recognize tones and thus understand language; and a simple, inexpensive blood test to determine the risk of having a Down's syndrome baby, among other important advances.

In other areas, University researchers are exploring methods for predicting the time and location of earthquakes and ways to design new buildings and modify existing buildings to better withstand earthquake effects. Research on global climate and earth systems is benefiting California fisheries and agriculture by leading to better predictions of hazards such as drought, flooding, and other natural disasters, and to more effective means of mitigating their effects. New materials are being developed that could lead to better synthetic products, such as prosthetic devices more acceptable to the body and longer-lasting, easy-care contact lenses.

UC researchers forging ahead in new areas such as roadway technologies, alternative fuels, and truck safety are addressing California's changing transportation needs.

Social science research is furthering our understanding of issues critical to California's social and political well-being. Examples include collaborative research between California and Mexico focusing on issues of critical interest such as trade and economic development, immigration, language acquisition and development, educational access, international relations, public policy issues around homeland security, population growth, the Pacific Rim, and a wide range of other policy-relevant research areas.

In the humanities, research at the University of California has flourished across the system, placing many programs at the top of the National Research Council rankings. The systemwide Humanities Research Institute is spearheading a transformative effort to bring technology to bear on cultural issues and has worked closely with scientists and engineers to develop new approaches to interdisciplinary scholarship and collaborative research. The UC Humanities Technology Council brings together the top thinkers within UC from the California Digital Library, UCTV, the California Institutes for Science and Innovation, the San Diego Supercomputer Lab, the UC Digital Arts Research Network, the Museum Online Archive of California, and other major projects to promote collaboration and develop new ways of linking humanities resources around the state, across the country, and internationally.

Value to the Instructional Program

Undergraduate and graduate students alike pursue an education at UC because of the high quality of the University's faculty, quality that includes excellence in teaching, cutting-edge research, and leadership in academia. For students, formal instruction is supplemented and enhanced by myriad informal learning opportunities that occur across the system. The 2008 UC Undergraduate Experience Survey found that 86% of senior undergraduates had participated in research and other creative activities with faculty as part of their coursework. The opportunity to learn from professors who are leaders in their fields in the informal settings of the research laboratory, fieldwork site, or faculty office, is one of the unique and unsurpassed benefits of being a UC student for both undergraduates and graduates.

Key Research Programs

Agriculture

The UC Division of Agriculture and Natural Resources (ANR) is a statewide network of UC researchers and educators dedicated to the creation, development, and application of knowledge in agricultural, natural, and human resources. ANR's mission is to maintain and enhance connections that fully engage UC with the people of California and achieve innovation in fundamental and applied research and education that supports sustainable, safe, nutritious food production and delivery systems; economic success in a global economy; a sustainable, healthy,

productive environment; and science literacy and youth development programs.

ANR programs are delivered through two organizational units: The Cooperative Extension and the Agricultural Experiment Station (AES).

AES was established to develop cutting-edge research information that can be applied to solving real-world problems in agriculture and natural resources. AES in California is located within three colleges on the Berkeley, Davis, and Riverside campuses, as well as the School of Veterinary Medicine at Davis. AES comprises more than 650 scientists housed in 38 academic departments. These scientists represent a variety of disciplines and are charged with conducting fundamental and applied research that fulfills the mission of the AES.

Statewide programs focus on specific issues that engage ANR academics and faculty from all UC campuses, allowing integrated teams to work on complex issues that require multidisciplinary approaches. In addition, research and extension centers (RECs), located in a variety of ecosystems across the state, provide a core research and extension base.

For over a century, UC, as the state's land grant institution, has brought California agriculture the best that science has to offer. California farmers and ranchers have consistently increased yields, improved water efficiency, reduced pesticide loads, introduced new crops and varieties, and adopted new food safety practices — all with the help of UC. As a result, California has the most environmentally compatible, natural resources conscious and sustainable agricultural sector in the world from which all Californians benefit.

ANR is unique in its three-way partnership with federal, state, and county governments to provide local and statewide research and extension programs that address the critical issues of California.

The State's fiscal crisis has dealt an extraordinary blow to the University through very large reductions in support over a short period of time. These unprecedented reductions have lead to major restructuring of ANR to achieve $9 million in permanent budget reductions and to position ANR to implement a new strategic vision. A number of statewide programs are being closed and others will be reduced by 20%, with ANR refocusing resources, including existing competitive grant funds and endowment income (as appropriate), to support five strategic initiatives: Sustainable Food Systems; Endemic and Invasive Pests and Diseases; Sustainable Natural Ecosystems; Water Quality, Quantity and Security; and, Healthy Families and Communities - with program functions of closed statewide programs being consolidated into new initiatives.

Following are examples of research conducted by AES scientists that is helping to address these challenges:

Food Safety. UC researchers are engaged in a joint environmental study of the occurrence of the strain of E. coli that caused the disease outbreak in central California agricultural fields in 2006 to understand if certain species of wildlife are sources of E. coli. The study findings will assist resource agencies and growers in developing strategies and management plans and policies to prevent crop contamination in the fields, to protect the public health, and to protect wildlife and their habitats.

Pest Management. The Center for Invasive Species Research based on the Riverside campus provides a forward-looking approach to managing invasions in California by exotic pests and diseases. For example, research is under way to identify both short-term strategies and long-term solutions to manage population densities of the glassy winged sharpshooter (GWSS) and to curtail the potential devastation of GWSS-spread diseases.

Energy. The Berkeley Institute of the Environment (BIE) with the Helios Project aims to convert sunlight to carbon-neutral energy sources and transportation fuels, while the new Energy Biosciences Institute, a partnership with the energy company BP and the University of Illinois, will develop agricultural and microbial sources of clean, renewable bioenergy. The BIE also is working to design, disseminate, and assess secure energy technologies that minimize environmental impacts.

Water Resources. The UC Davis Center for Watershed Sciences has initiated the Delta Solutions Program, which brings together scientists, engineers, and economists to test the environmental, economic, and water supply performance of a range of future alternatives for the Sacramento-San Joaquin Delta. The hallmark of the Delta Solutions Program will be the development or refinement of analytical decision-support tools that better represent the Delta's complex problems.

Multi-campus Research Programs and Initiatives (MRPIs)

While they have relatively modest budgets, typically in the range of $30,000 to $1.5 million, the University's MRPIs dynamically link the work of the ten campuses and three national labs into a network of shared information, resources, dissemination, and public engagement. MRPIs provide seed funding on a peer-reviewed basis for innovative research, provide support for graduate student traineeships, and work directly with state agencies to disseminate the expertise of the UC faculty and their research. Among these are:

- a new UC transportation research initiative that will team UC researchers from more than 30 disciplines on six UC campuses to work on reducing congestion, oil use, air pollution, and greenhouse gas emissions;
- the newly-launched Center for Hydrologic Modeling that will link researchers at eight UC campuses and the three national labs to forecast how water availability will shrink because of climate change and diminishing snowpack;
- the California Advanced Solar Technologies Institutes – a new initiative focused on the next generation of solar energy. Researchers at Merced, Berkeley, and Santa Barbara will use nanotechnology and non-imaging optics to develop new solar cell materials and methods to cool and heat buildings or generate electricity;
- a new program, Collaborative Research for an Equitable California, will bring UC researchers together with community organizers and policy-makers to tackle the state's interconnected crises in education, employment, health, nutrition, housing, and the environment, researching how disparities and inequities in these areas are linked.

California Institutes of Science and Innovation

At the start of this decade, the State of California, UC, and hundreds of the state's leading-edge businesses joined together in an unprecedented partnership to create the California Institutes for Science and Innovation. The four Institutes, each jointly operated by multiple UC campuses, engage UC's world-class research faculty directly with California, national, and international companies in attacking large-scale issues critical to the State's economy and its citizens' quality of life. Information technology, telecommunications, nanotechnology, quantitative biosciences, health care, environmental management, homeland security, and energy systems are among the areas of focus for new research within these Institutes.

To establish the Institutes, the State provided $400 million in capital funding, which was matched two-to-one from federal and private sources. While the facilities needs of the Institutes have been largely met, core support for of the

Institutes is needed to ensure that each Institute has a minimum level of support with which to operate, including funding for advanced technology infrastructure; personnel, and other academic support and provide seed money for building new research teams across disciplines and campuses, new educational programs, and attracting large scale extramural contracts and grants from industry and governmental sources. The State annually provides $4.75 million for support of the California Institutes, which is matched by an additional $5.25 million in University funds. In recent years, UC has requested additional State support for the Institutes, without success. Temporary funding has been provided from University sources, but permanent support is still needed.

Labor Research and Education

Growing international economic integration, policy changes, transformations in business organization, new technology, and other changes have brought many positive developments, but have also resulted in emerging issues and concerns for communities, researchers, and policy makers. The UC labor program engages in research and education that advances knowledge and understanding of these new challenges and opportunities from a variety of perspectives and disciplines, including historical, comparative, and institutional approaches.

State funding for a new Institute for Labor and Employment (ILE) was first provided in 2000-01, when the Legislature proposed and the Governor sustained an additional $6 million in the University's budget to establish a multi-campus research program focused on issues related to labor and employment. However, since that time, funding for the program has been unsteady. During the early part of the decade, the State's fiscal crisis necessitated cuts to the University's State-funded research budget, including the funding provided for ILE, and funding was eliminated entirely in 2005-06. State funding was restored for 2006-07 and 2007-08, but again eliminated in 2008-09. The University continued support for labor research on a one-time basis in 2008-09 by redirecting funds from other sources. Again, the Budget Act of 2009 did not restore funding to the Institutes for Research on Labor and Employment (IRLE). As part of the final budget agreement negotiated with the State, the University is providing $1 million to each institute in 2009-10. A systemwide research grant program associated with this research has been deferred until State funds are restored. If this program is to continue over the longer term, stable, permanent funding must be identified.

Institute of Transportation Studies

With worsening traffic congestion threatening economic growth and quality of life, as well as daunting energy and climate change challenges, California and the nation need new forms of transportation and new ways of thinking about transportation. The Institute of Transportation Studies (ITS), an MRPI, is recognized as the premier center of transportation research in the world. It has been funded with a small portion of the fuel taxes that support the Public Transportation Account (PTA) since 1947. The initial PTA funding of $920,000 has only risen to $980,000 over the past 60 years, supplemented by $250,000 of State General Funds cost increase funding over time. Thus, its purchasing power has shrunk to about one-eighth of its initial value.

Despite this, ITS has been extraordinarily successful, with faculty researchers attracting $30 million per year in extramural funding, leveraging the core funding from the State's PTA account at a ratio of at least 30:1. However, the minimal core funding has a large downside: it forces ITS to be almost entirely reactive to funding opportunities defined by outside agencies and companies, rather than focusing on specific immediate and long-term needs of the State.

"UC attracts the kind of students who work hard, dream big, and are willing to take risks to make a difference in their own lives and their communities."

—Lawrence Pitts
University of California
Interim Provost

PUBLIC SERVICE

Public service includes a broad range of activities organized by the University to serve state and local communities; students, teachers and staff in K-12 schools and community colleges; and the public in general. Consistent with its mission as a land grant institution, the UC's public service programs help improve the quality of life in California by focusing on major challenges, whether in business, education, health care, community development, or civic engagement, that impact the economic and social well-being of its citizens.

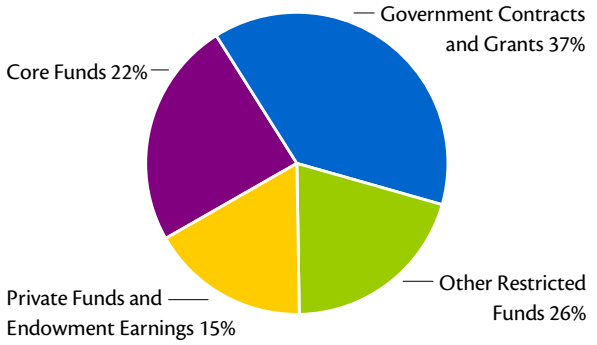
State funds support a variety of public service programs at UC. This chapter describes five major State-supported public service efforts:

- Student Academic Preparation and Educational Partnerships,
- the California Subject Matter Project,
- COSMOS,
- Cooperative Extension, and
- the Charles R. Drew University of Medicine and Science.

Campuses also conduct other public service programs that are supported by State funds, as well as by student fees, user fees, and other non-State fund sources; these programs include arts and lecture programs and student- or faculty-initiated community service projects.

DISPLAY VIII-1: 2008-09 PUBLIC SERVICE EXPENDITURES BY FUND SOURCE

While State funds play an important role in the UC's public service programs, significant funding for Cooperative Extension and other major programs is generated from government contracts and grants and private sources.



Student Academic Preparation and Educational Partnerships

Student Academic Preparation and Educational Partnerships (SAPEP) programs seek to raise student achievement levels and to close achievement gaps among groups of students throughout the K-20 pipeline, tasks critical to keeping California's economy competitive.

March 2008 data show that 58% of public high school students enrolled at UC come from just 20% of the state's high schools; schools with lower Academic Performance Index (API) scores tend to have lower college-going rates. With a focus on serving students who attend California's more challenged schools, in 2006-07 UC's 16 academic

preparation programs reached more than 131,000 students at 687 K-12 public schools and 110 community colleges, raising college eligibility rates, increasing transfer from community college to baccalaureate-degree granting institutions, and preparing undergraduates for a graduate and professional education.[1] The Regents have identified closing achievement gaps, improving access to college, and increasing diversity at UC as among the University's highest priorities.

Through SAPEP programs, UC is reaching those students and schools in most need of assistance. Of the 374 high schools in California served by UC SAPEP programs, 73% are in the five lowest API deciles. UC further works with schools that are located in communities where median family incomes are low. According to census data, 68% of SAPEP schools are in communities with median family incomes of less than $50,000, compared to about 48% of high schools statewide. In addition, nearly three-quarters of students in SAPEP's three largest high school programs are from groups underrepresented at the University.

The impact of the University's SAPEP programs on educationally disadvantaged and under-represented minority students is significant. While enrollment at UC is not the specific goal of UC's academic preparation programs, the ability of students to compete successfully for UC admission is a strong indicator of increased access to postsecondary opportunities. At the same time, these programs increase the diversity of the University. In Fall 2008, 16.1% of African Americans and 21.6% of Chicano and Latino students in the incoming freshman class at UC campuses had been participants in UC's student academic preparation programs. Furthermore, CPEC eligibility data shows that in 2007, 6.3% of African-American students were eligible for UC, compared to just 2.8% in 1996. For Chicano and Latino students, eligibility gains were equally strong, with 6.9% eligible in 2007 compared with only 3.8% in 1996. Significant budget cuts after 2000-01, however, reduced opportunities for more than 50,000 students to participate in the University's student academic preparation programs, and fewer schools and teachers are served. (The SAPEP budget was cut more than 60% between 2000-01 and 2008-09.)

Budget constraints notwithstanding, UC has created innovative ways to help generate systemic changes in California's educational system through long-term partnerships with K-12 schools, businesses, and community-based organizations. For example, the University's K-20 (Kindergarten – University) Intersegmental Alliances align SAPEP programs and their local and regional K-12, community college, educational, community and business partners. The University used these partnerships to implement the Transcript Evaluation Service (TES), which tracks coursework progress and UC/CSU eligibility for both individual students and entire schools. In addition, TES for the first time provides aggregate data for school administrators to diagnose course completion obstacles and improve UC/CSU course requirement completion on a schoolwide basis. TES has been recognized by the Campaign for College Opportunity as a "Practice with Promise" for transforming the educational opportunities in California's schools.

Program Descriptions and Outcomes

In addition to partnerships with K-12 and community organizations, UC's portfolio of SAPEP programs raise college eligibility rates, increase transfer from community colleges to baccalaureate-degree granting institutions, and

[1] Data are from the most recent SAPEP legislative report, available at www.ucop.edu/edpartners/, and are for the 2006-07 academic year unless otherwise noted.

STUDENT ACADEMIC PREPARATION PROGRAMS WERE DEVELOPED NEARLY 40 YEARS AGO

As early as 1872, then-President Daniel Coit Gilman called on the University to collaborate with schools in enhancing student preparation for a college education so that the "work of the university shall clearly forward the welfare of the state, of the whole body politic."

The current generation of student academic preparation programs took shape in the 1960s, when the civil rights movement drew attention to issues of access to the University. During this period when there were no fiscal constraints on enrollments, the Regents addressed access issues primarily through aggressive and innovative admissions policies.

In the 1970s, the University began providing under-represented students academic assistance and information to help them meet university admission standards. The Legislature passed the Meade Bill in 1975, marking the first time that State resources were devoted to increasing the number and persistence of eligible minority students. With it was born the concept of developing a pipeline of academic preparation programs beginning with students in the 7th grade and continuing through their college careers. Academic preparation programs expanded gradually during the 1980s and early 1990s.

In July 1995, the Regents adopted Resolution SP-1, which eliminated consideration of race, ethnicity, and gender in UC admissions. At the same time, the Board called on the President to appoint the Outreach Task Force (OTF) to identify ways in which outreach programs could help to ensure that the University remain accessible to students from educationally disadvantaged backgrounds. Coupled with the passage by California voters of Proposition 209 in Fall 1996, which essentially placed the tenets of SP-1 in the State's Constitution, these events elevated academic preparation programs to become the University's most critical tool for promoting access to the University for educationally disadvantaged students in California.

prepare undergraduates for graduate and professional education.[2]

College Access and Preparation. With a focus on academic advising and building college knowledge, the ***Early Academic Outreach Program (EAOP)***, UC's largest academic preparation program, helps disadvantaged students complete a rigorous college preparatory curriculum in high school, complete UC and CSU coursework and exam requirements, and apply for college and financial aid. EAOP provides academic enrichment, such as intensive workshops and summer courses; advising; test preparation; information for parents, e.g., how to apply for financial aid and college options in California; and support for schools, such as assistance in establishing school structures that have a direct link to students' completion of college preparatory course requirements.

With a focus on education and workforce preparation, the ***Mathematics, Engineering, Science Achievement (MESA)*** program helps middle and high school students excel in math and science so they can graduate from college with degrees in science, engineering, computer science and other math-based fields. MESA offers classes during the school day that allow advisors to work with students on academics and MESA activities. MESA's academic development curriculum includes math and science coursework based on California Math and Science Standards. MESA also offers individualized academic planning, tutoring, math workshops, study groups, and career exploration. Parent involvement helps parents learn how to become effective advocates for their children's academic success.

With a focus on literacy development, ***The Puente Project*** prepares high school students – many of whom are English language learners – for college through rigorous academic instruction in writing and literature, intensive college-preparatory counseling, and mentoring from successful members of the community. Students in the program study with the same Puente-trained English teacher for ninth and tenth grades in a college-preparatory English class; work closely with a Puente-trained counselor to prepare an academic plan and stay focused on their goals; participate regularly in community involvement

[2] Detailed descriptions for each of the SAPEP programs can be found in the most recent SAPEP legislative report, available at www.ucop.edu/edpartners/.

FUNDING FOR STUDENT ACADEMIC PREPARATION AND EDUCATIONAL PARTNERSHIPS HAS BEEN UNPREDICTABLE

In 1997-98, after the adoption of SP-1 and Proposition 209, the Legislature considered the University's academic preparation programs to be an effective means by which to increase access to college for educationally disadvantaged students and promote diversity at UC. The University's budget for student academic preparation programs grew from $18.1 million in State and University funds in 1997-98 to a high of $85 million in 2000-01. Due to the State's fiscal crisis in the early part of this decade, the SAPEP budget was subsequently reduced by $55.7 million over the next several years, bringing the total budget to $29.3 million in 2005-06. In 2006-07, a $2 million augmentation to expand community college transfer programs brought SAPEP's budget to $31.3 million.

The Governor's proposed budget for 2009-10 originally slated SAPEP programs for elimination, but the Legislature converted the cut to an unallocated reduction. As permitted by the 2009-10 Budget Act, campuses have been instructed to limit cuts to any program within the portfolio to no more than 10%, which is only half the percentage level cut to the University's State funds in 2009-10.

From 2004-05 to 2007-08 – and again for 2009-10, as noted above – State funding for SAPEP programs was the subject of debate and negotiations during each budget cycle, contributing to uncertainty as to whether or not programs would be able to continue from year to year. The University believes stability in the funding of these programs is critical to their success. To that end, the University has reported to the Legislature each year on goals and accountability data demonstrating scope and effectiveness for individual programs.[3]

SAPEP programs use state resources efficiently. The cost per student of most programs is substantially less than the cost per student of comparable federally funded programs. In 2008-09, programs leveraged the State and University investment of $31.3 million by raising an additional $54 million in support of K-14 efforts to be expended during the next 3-5 years.

activities; and attend field trips to college campuses.

Other programs promoting college access and preparation include ***ArtsBridge***, the ***Preuss School*** at UC San Diego, ***Student-Initiated Programs***, ***UC College Preparation (UCCP)***, ***University Community Engagement (UCE)***, and ***UC Links***.

UC's college access and preparation programs have been recognized nationally as models of best practice. Among specific program achievements are the following:

- Increased high school graduation: 95% of participants graduate from high school;
- Increased college eligibility: Participants are twice as likely to complete the 'a-g' courses for UC/CSU eligibility; the eligibility rate for UC is 150% greater for participants than students statewide; and in 2006-07, a higher proportion of students took the SAT or ACT than did non-participants in the same schools (for example, 66% of EAOP-MESA-Puente students at API 1 and 2 schools took the SAT or ACT compared to 32% of non-participants at the same schools); and
- Increased college attendance: Approximately 72% of participants attend college the first year after high school.

Community College Transfer. SAPEP programs also promote transfer from community college to baccalaureate-granting institutions.

Community College Articulation Agreements are agreements between individual community colleges and individual UC campuses that define how specific community college courses can be used to satisfy subject matter requirements at UC.

ASSIST, California's official statewide repository for course articulation and transfer information, provides counselors and students with detailed course transfer and articulation information to help facilitate a seamless transfer process.The ***MESA Community College Program*** provides rigorous academic development for community college students who are pursuing transfer to four-year universities in majors that are calculus-based. All MESA CCP students are required to attend

[3] The SAPEP Accountability Framework is available at www.ucop.edu/edpartners/.

Academic Excellence Workshops, student-led supplemental instruction/study groups that emphasize the most challenging aspects of classes within the student's major. Additional services include individualized academic planning, college orientation for math-based majors, career exploration and professional development, and summer internships in business, industry, and academia.

Students enrolled in ***The Puente Community College Program*** take a rigorous two-course English sequence, receive transfer requirement counseling, and meet regularly with a Puente-trained mentor from the professional community. Teachers and counselors receive training in innovative counseling and teaching methodologies for educationally disadvantaged students.

Community College Transfer Programs increase opportunities for community college students to transfer to four-year institutions by providing comprehensive academic guidance and support for prospective transfers. Services include assistance with course selection; informational workshops on academic requirements for transfer admissions; and professional development and training for community college counselors and faculty. Students enrolled in UC's community college transfer programs are more likely to transfer to a baccalaureate-granting institution than other students. Other achievements include:

- In 2007-08, over 1.3 million different individuals used ASSIST to view over 11 million articulation agreements;
- In 2007-08, UC completed transfer preparation paths to facilitate the smooth transfer of California community college students into UC's top 20 transfer majors;
- Almost all of MESA's Community College Program participants transfer to a baccalaureate-degree granting college or university, and in 2006-07, 98% of those students chose majors in math or science fields; and
- Nearly 85% of Puente students are retained in community college for a year following participation in the program, while 71.6% persist two years after completing the program. The one-year persistence rate for all CCC students statewide is 68%.

Graduate and Professional School Preparation. SAPEP programs also prepare and encourage high-caliber undergraduates from educationally disadvantaged communities to pursue graduate and professional level training. ***Leadership Excellence through Advanced Degrees Program (UC LEADS)*** places educationally disadvantaged juniors and seniors in two-year intensive research experiences with faculty mentors. ***Summer Research Internship Programs (SRIP)*** also provide intensive research experience. ***UC Law Fellows*** and ***Post-baccalaureate Medical School Programs*** provide preparation for graduate study through academic skills building, test preparation, and mentoring.

Achievements of these programs include:

- Approximately 79% of graduate and professional school academic preparation program participants enroll in graduate or professional school; and
- Independent research confirms that UC's post-baccalaureate premedical programs improve applicants' chances of admission to medical school.

California Subject Matter Project

The California Subject Matter Project (CSMP) is a statewide network of subject-specific professional development programs for teachers. CSMP engages K-12 leaders and faculty in the various disciplines from the University of California, California State University (CSU), and private higher education institutions to develop and deliver intensive institutes for education professionals. The institutes and workshops advance teachers' understanding of subject matter

knowledge and support their implementation of research-based instructional strategies to improve student achievement, including approaches to support English learners. During 2008-09, CSMP served over 40,000 teachers and school administrators at 6,000 schools, more than a third of which were low-performing schools. An intersegmental statewide program, CSMP supports 9 statewide offices and 97 discipline-specific project sites; 55 of these sites are hosted by CSU, 33 by UC, and 8 by private higher education institutions. CSMP has worked with an outside consultant (SRI International) to develop accountability measures and evaluation activities designed to help CSMP examine and improve its outreach efforts. The focus of CSMP's ongoing research agenda with SRI is to understand the impact of CSMP on teachers, their professional community, and their students. In recent evaluations, SRI has concluded that teachers consistently rate CSMP professional development more highly than other professional development programs, and that CSMP has been successful in meeting its goals to serve teachers from low-performing schools and teachers of English learners. Nearly all teachers report that CSMP influenced their instructional practices and content knowledge more than other professional development. In addition, teachers report that their participation contributed to students' achievement (92%), conceptual understanding (82%), engagement in activities (80%), and ability to explain their reasoning (64%).

CSMP generally reflects the characteristics of effective professional development, including collective work, content focus, active learning, differentiation, and ongoing activities that are sustained over time. However, maintaining high-quality professional development while responding to changes in funding and an increasingly diverse set of teacher participant needs is challenging. State funding for CSMP was reduced from a peak of $35.5 million in 2000-01, to $20 million in 2002-03, and to $5 million in 2003-04, where it remained in 2007-08; an additional $4.35 million from the federal No Child Left Behind Act, Title II, Part A program brought total CSMP funding to $9.35 million in 2007-08.

In 2008-09, California's Department of Education provided $9.85 million to CSMP, which was payable from the Federal Trust Fund and transferred to UC. Of that money, $5.5 million was provided in one-time carryover funds and replaced the $5 million the State has provided for CSMP over the past few years. This funding of the CSMP through federal instead of State funds resulted in heightened program requirements and delayed availability of funds across all sites. The Legislature directed that this provision of federal funds for the CSMP be a one-time action. In 2009-10, the State returned to its practice of providing $5 million to the CSMP in State General Funds.

In 2008-09, CSMP leveraged approximately $12 million in cash from foundation grants and $1 million in in-kind contributions from district contracts, for a total of $13 million to augment federal support. As the CSMP remains a vital part of the state's capacity to develop California's teacher workforce, UC will continue to seek additional funding to provide quality professional development programs for K-12 teachers.

The CSMP was originally authorized in 1998 and was reauthorized in 2002 and again in 2007. The 2007 bill extends authorization to January 1, 2013.

COSMOS

The California State Summer School for Mathematics and Science (COSMOS) provides an intensive academic experience for students who wish to learn advanced mathematics and science and prepare for careers in these areas. COSMOS is a month-long residential academic program for top high school students in mathematics and science. COSMOS course clusters address topics

not traditionally taught in high schools such as astronomy, aerospace engineering, biomedical sciences, computer science, wetlands ecology, ocean science, robotics, game theory, and more. The program takes place each summer on the Davis, Irvine, Santa Cruz, and San Diego campuses. Cluster sizes vary from 18-24 students and the student to academic staff ratio is typically 5:1. In summer 2009, 680 students, drawn from an applicant pool of over 2,000 students, were selected to attend COSMOS.

In 2009-10, COSMOS will receive $1.9 million in State funds, the same amount COSMOS received in 2008-09, but a 10% reduction from State support in 2007-08. The California Education Code specifies that the State fund at least 50%, but not more than 75%, of the program's actual costs; funds are also provided by participants with the ability to pay and from private sources.

Cooperative Extension

The UC Division of Agriculture and Natural Resources (ANR) is a statewide network of UC researchers and educators dedicated to the creation, development, and application of knowledge in agricultural, natural, and human resources. ANR programs are delivered through two organizational units: Cooperative Extension and the Agricultural Experiment Station.[4]

The Cooperative Extension system represents a national, publicly funded, non-formal educational system that links educational and research activities and resources of the U.S. Department of Agriculture (USDA), land grant universities, and county administrative units. The University of California Cooperative Extension (CE), ANR's outreach arm, provides California residents with local access to UC resources.

Through CE, academic county advisors are situated in local communities to conduct applied research and translate and test campus research findings into solutions for local problems. This statewide network of local CE offices serving every California county is often the face of UC to local clientele and stakeholders who may never set foot on a UC campus. CE advisors work with teams of staff and volunteers to deliver services through programs such as 4-H youth development, farm, nutrition, family and consumer sciences, master gardeners, master food preservers, and master composters. Advisors provide local residents with information though workshops, demonstrations, field days, classes, print and other media, and web sites.

In addition to the academic county advisors in the local communities, CE has specialists who are academics integrated into academic departments on the Berkeley, Davis, and Riverside campuses where they conduct research, develop new technologies, and are the campus link to the county CE advisors.

Statewide programs focus on specific issues that engage ANR academics and faculty from all UC campuses, allowing integrated teams to work on complex issues that require multidisciplinary approaches. In addition, 10 research and extension centers (RECs), located in a variety of ecosystems across the state, provide a core research and extension base.

ANR is unique in its three-way partnership with federal, state, and county governments to provide local and statewide research and extension programs that address the critical issues of California. Through its partnerships and collaborations, UC ANR is able to leverage its resources to increase its ability to address these issues. In 2007-08, ANR received a total of $78 million for its Cooperative Extension programs (61% state; 14% federal and 25% county).

[4] The Agricultural Experiment Station (AES) is described in more detail in the *Research* chapter of this document.

The State's fiscal crisis has dealt an extraordinary blow to the University. The unprecedented reduction in State funds for UC has led to a major restructuring of ANR to achieve $9 million in permanent budget reductions and to position ANR to implement a new strategic vision.

Several statewide programs are being closed and others will be reduced by 20%, with ANR refocusing resources, including existing competitive grant funds and endowment income (as appropriate), to support five strategic initiatives: Sustainable Food Systems; Endemic and Invasive Pests and Diseases; Sustainable Natural Ecosystems; Water Quality, Quantity and Security; and, Healthy Families and Communities. Program functions of closed statewide programs are being consolidated into new initiative structures.

CE has a long history of contributing to the quality of life for Californians through delivery of CE programs in the local communities.

Healthy Food Systems. Responding to local grower issues, CE advisors played a key role in introducing new UC-developed varieties of strawberries and blueberries to California growers through field days, workshops, industry meetings and publications. Similarly, through educational programs disseminating UC research on ration balancing, herd health management, diagnostics, cow comfort, forage production, quality analysis of feeds, genetics, manure management and disease control, CE helped California increase average production per cow by 15% in the last decade and 65% since 1975. A CE-led project on alternative irrigation systems for rice fields led to a 98.5% reduction in the mass flow of rice herbicides in the Sacramento River, improving water quality for local residents and demonstrating that alternative management strategies can be developed to address water quality issues.

Healthy Environments. California communities continually face danger from wildfires. In San Diego County, CE advisors coordinated and implemented a regional wildfire education and outreach program named Wildfire Zone about wildfire risks and what to do before, during and after a fire. The primary components to the program are a comprehensive Web site, www.wildfirezone.org, and a series of 12 wildfire information tip cards. Information on the program was disseminated through workshops, print media and cooperating agencies. On a statewide basis, a CE specialist developed a Fire Information Engine Toolkit on an interactive website to help communities and individual residents assess their risk of wildfire and prepare for and deal with the aftermath. In the Sacramento Valley, ANR research and educational programs helped rice producers dramatically reduce rice straw burning through demonstrations of the benefits of winter flooding of harvested fields that resulted in improved air quality and created more than 100,000 acres of seasonal wetland habitat for migratory waterfowl.

Healthy Communities. ANR houses the 4-H Youth Development Program, one of the largest youth development programs in the nation, with 20,000 volunteers throughout the State. In California, 4-H reaches youth (ages 5 to 19) through after-school and classroom enrichment programs, science literacy activities, and traditional club programs delivered in every county. Through ANR's Master Gardener Program, ANR academics train local community members with research-based information on landscape management and horticulture, including plant selection, reduced pesticide use, water conservation, and implementing "green" practices. In 2007–08, over 4,100 UC Master Gardeners volunteered more than 300,000 hours, representing 145 full-time positions.

Healthy Californians. In response to the leafy greens *E. coli* outbreaks in the Salinas Valley, Monterey County CE advisors immediately partnered with food safety CE specialists from UC Davis to conduct field experiments designed to investigate the ability of E. coli to survive and spread in a production environment. UC academics have initiated efforts to provide science-based information that can be used to guide industry in food safety policies. An early result indicates that it is likely that soil moisture may significantly influence the persistence of E. coli in the field.

In San Luis Obispo and Santa Barbara counties, ANR's Lunch Box program reached 3,600 families and improved the nutritional quality of children's packed lunches. Five educational handouts and a poster in English and Spanish were developed to assist parents in packing healthy lunches. The Lunch Box handouts were provided to parents through their child's preschool, an ideal place for parents to learn positive ways to contribute to their child's overall health and well-being. Working with a Tulare school district, CE advisors and specialists delivered the EatFit program to 6th graders. The program includes nine lessons with an online assessment (www.eatfit.net) and uses guided goal setting to help students make positive behavior changes. Students apply math concepts in EatFit while learning how to improve their food choices and increase physical activity. An evaluation of ANR's *EatFit* program for low-income students found that this approach not only improves eating and physical activity habits, but also math and language arts performance.

Charles R. Drew University of Medicine and Science

The Charles Drew University of Medicine and Science (CDU) is a private, nonprofit corporation with its own Board of Trustees. CDU conducts educational and research programs in south central Los Angeles. Since 1973, the State has appropriated funds to UC to support a medical student education program operated by the Los Angeles campus in conjunction with CDU. State General Funds are provided to CDU under two separate contracts, both administered by the University. One contract provides State support for medical education while the second helps support a separate public service program operated to provide funding for various health science educational, research, and clinical public service programs in the Watts-Willowbrook community.

Drew Medical Program

Historically, CDU has received State funds through the University's budget for the training of 48 medical students (including 24 third-year and 24 fourth-year students) and 170 medical residents. The activities encompassed in the joint Drew/UCLA instructional program are described in two affiliation agreements with the UCLA School of Medicine and the UCLA School of Dentistry for student clerkships, as well as the joint medical education program, which leads to an MD degree from UCLA.

In the early part of the decade, CDU experienced difficulties involving the accreditation of its graduate medical education (or residency) programs. In response to these problems, the Legislature passed Assembly Concurrent Resolution 139 (Dymally, 2003), which asked that the University join leadership at CDU to address and remedy various accreditation concerns. The University actively worked with CDU to successfully resolve most of these issues.

Unfortunately, however, serious concerns involving patient care activities occurred at Los Angeles County's King/Drew Medical Center (KDMC). Based upon these and related matters, the Los Angeles County Board of Supervisors, which has administrative and fiscal responsibility for the hospital, closed KDMC in 2007. As a result

of the closure of the hospital, CDU voluntarily closed its residency programs. Although no residents are currently in training, CDU is working with the national accreditation council to re-establish training programs that meet existing standards and requirements. It is important to note, however, that medical student education through the joint UCLA-Drew program continues at full enrollment.

The State support provided to Drew in the 2009-10 Budget Act for both the instructional and public service programs is $8.7 million. Of this amount, $500,000 is contingent upon the University continuing to provide $500,000 in matching funds (currently funded from a redirection of funds from the medical centers' clinical teaching support). The University also provides cost-of-living adjustments from the General Fund, support from University funds, and medical student professional fee revenue to support the program. The total from all University sources available to Drew for 2009-10 is approximately $11.5 million. CDU is developing a proposal requesting continuation of state support for this transitional period as efforts are made to re-establish resident training programs in the community.

CDU School of Nursing

CDU also is preparing to open a new school, the Mervyn M. Dymally School of Nursing, in an effort to address the shortage of both nurses and nursing faculty in California. To increase nursing educational opportunities in the state, $10 million of UC General Obligation bond funds were allocated in 2009-10 to partially fund construction of a Life Sciences Research and Nursing Education facility at CDU, pursuant to collaboration and consultation as described in a cooperative agreement signed by both UC and CDU. Legislative language made release of these funds contingent on matching funds from CDU, formal agreements relating to the ownership and occupancy of the building and the operation of the nursing program, and determination by the State Public Works Board (SPWB) that these conditions have been met. UC and CDU developed a cooperative agreement through which UCLA faculty would provide advice and assistance in support of CDU's efforts to develop new nursing education opportunities to meet community needs, and a lease and operating agreement defining the operational aspects of the facility. The SPWB conditionally confirmed the requirements for the release of State funds were satisfied at their October 2009 meeting.

DISPLAY VIII-2: SAPEP STATE GENERAL FUNDS AND UNIVERSITY FUNDS BUDGETS
(DOLLARS IN THOUSANDS)

During the late 1990s, SAPEP budgets received significant augmentations and funding reached its peak in 2000-01. In 2008-09, SAPEP budgets consisted of $19.3 million in State funds and $12 million in University funds. SAPEP budgets for 2009-10 have not yet been finalized; as permitted by the 2009-10 Budget Act, campuses have been instructed to limit cuts to any program within the portfolio to no more than 10%, which is only half the percentage level cut to the University's State funds in 2009-10. No later than April 1, 2010, the University will submit a report to the Legislature on the reductions ultimately made to SAPEP in 2009-10.

	1997-98	2000-01	2008-09
Direct Student Services Programs			
Community College Transfer Programs	$1,718	$5,295	$3,279
EAOP	4,794	16,094	8,914
Graduate and Professional School Programs	1,893	8,575	2,661
MESA K-12 Programs	4,169	9,355	4,861
MESA Community College Programs	22	1,309	327
Puente High School Programs	-	1,800	1,051
Puente Community College Programs	162	757	450
Student-Initiated Programs	-	-	440
UC Links	-	1,656	694
Statewide Infrastructure Programs			
ASSIST	360	360	429
Community College Articulation	-	-	600
Longer-Term Strategies			
K-20 Regional Intersegmental Alliances (formerly School-University Partnerships)	-	15,591	1,395
Direct Instructional Programs			
Preuss Charter School	-	1,000	1,000
UC College Preparation (online courses)	-	8,400	3,106
Other Programs			
Evaluation	-	1,386	1,180
Other Programs (currently includes Community Partnerships, ArtsBridge, Other)	203	3,887	936
Programs that have been eliminated or consolidated into others, including Test Preparation, Dual Admissions, Gateways, Informational Outreach and Recruitment, Central Valley Programs, UC ACCORD	4,750	9,717	-
Total	**$18,071**	**$85,182**	**$31,323**
General Funds	[$16,996]	[$82,243]	[$19,323]
University Funds	[$1,075]	[$2,939]	[$12,000]

"Knowledge doesn't just sit on a shelf at UC. Educators, researchers, and community members have access to our campus libraries, and our expanding digital holdings open our resources to the world."

—Dan Greenstein
University of California
Vice Provost

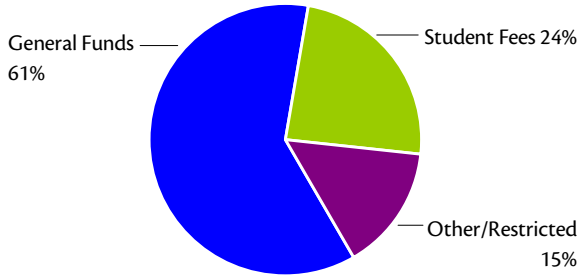
ACADEMIC SUPPORT — LIBRARIES

Great universities have great libraries for four reasons. First, information resources are at the foundation of academic excellence, which requires effective and convenient access to the information resources that libraries provide. Second, universities provide significant services to their communities, both to the University itself and to the public at large. Third, the quality of the library is often seen as a tangible symbol of an institution's commitment to support instructional and research excellence. Finally, in an increasingly knowledge-based society, the University's role in facilitating access to knowledge in all its many forms takes on broader significance and value.

Over the last decade, rapid advances in the development and use of new technologies to create, publish, store, search for, and deliver information have begun to transform libraries, allowing campuses to provide access to information without having to physically possess and store it. This increases efficiencies in print collections management, cost savings and access to scholarly materials. At the same time, UC's growing digital information services and collections are becoming more extensive and readily accessible to not only the scholarly community, but all California residents at the click of a mouse. The UC Libraries, as centers of information and knowledge, are essential components of and significant contributors to the rapidly-changing digital information environment that is indispensable for the University's world-class research, teaching, learning, and service enterprise.

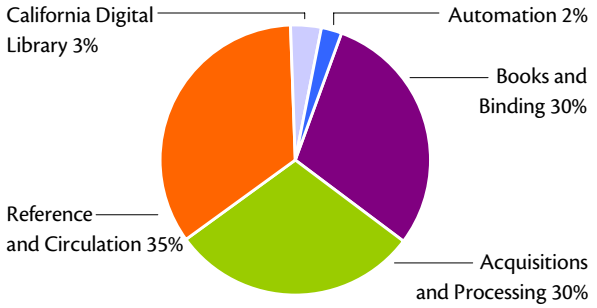
DISPLAY IX-1: 2008-09 LIBRARY EXPENDITURES BY FUND SOURCE

More than four-fifths of the library budget is derived from core funds. Endowment earnings, private gifts, and other sources provide additional support.



DISPLAY IX-2: 2008-09 LIBRARY EXPENDITURES BY PROGRAM AREA

Over half of the library budget provides for the purchase and preparation for use of library materials. Other functions include reference and circulation services, library automation, and the California Digital Library.



The UC library system includes over 100 libraries at the ten campuses and two Regional Library Facilities. Systemwide, the library system has the

second largest number of volumes held in the United States, over 36 million, surpassed only by the Library of Congress. In 2008-09, the economic value of the physical collection was estimated at $885 million and the special collections at $297 million, or 7.1% of UC net capital assets. Over 3.1 million items were loaned by UC libraries in 2007-08, including 170,000 intercampus library loans and copies.

DISPLAY IX-3: UC LIBRARIES AT A GLANCE 2007-08

Number of Libraries	100+
Library Holdings	
Total volumes	36,368,668
CDL/Shared print collection	58,870
Manuscript units	214,771
Maps	2,241,883
Microcopy and microfilm	31,098,405
Audio, video, and visual materials	19,655,551
Computer files	108,482
Pamphlets & government documents	3,031,425
Library Loans	
Total library loans	3,164,169
Intercampus loans	170,510
Regional facility loans	143,565

The Library Budget

The total budget of the libraries was $245 million in 2009-10. More than four-fifths of the library budget is derived from core funds (State support, UC General Funds, and student fee revenue). Significant restricted funding is provided from endowment earnings and private gifts and grants.

Approximately 30% of the library budget supports purchase of print volumes, periodical subscriptions, and other material acquisitions. Another 5% of the budget supports technology and equipment for remote information access, and the remaining 65% provides compensation and benefits for more than 2,500 University librarians and support staff.

Library expenditures are divided into five functional categories:

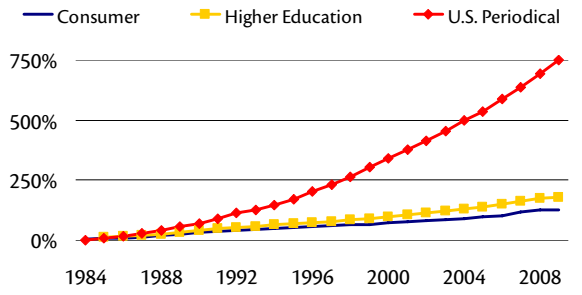
- Purchases of **books and binding** services includes campus expenditures for library materials in all forms.
- **Acquisitions processing** includes all operational activities related to acquiring library materials and preparing them for use.
- **Reference and circulation** includes providing users with information and materials, managing and maintaining materials, and creating and operating digital services that provide library users with effective access to information in all formats.
- The **California Digital Library** supports the development of systemwide digital collections and maintains Calisphere, a compendium of freely accessible online collections for California K-20 education.
- The systemwide **Library Automation** unit provides universitywide bibliographic access to the resources of the University's libraries through the MELVYL online union catalog.

Over the last 25 years, the State has provided substantial support for UC's strategy to leverage library development on a systemwide basis. Over the last decade, however, the State has been unable to provide full funding to meet the impact of persistent price increases for library materials, which consistently outpace the rate of inflation.

The Partnership agreement with former Governor Davis included a commitment to support a 1% annual increase to UC's General Fund base to address shortfalls in four core areas of the budget, including library materials. Between 1998-99 and 2000-01, consistent with provisions of the Partnership, the State provided $8.7 million for library materials and expanded sharing of library collections that began to address the permanent budget shortfall, supplemented by $14 million in one-time funds. In addition, the State provided $7 million to support the development and expansion of the California Digital Library. However, as a result of the State's fiscal crisis during the early part of this decade, the

DISPLAY IX-4: CONSUMER, HIGHER EDUCATION, AND PERIODICAL PRICE INCREASES

Over the last 25 years, the cost of periodicals has risen more than 750%, while the consumer price index has risen only 125% during the same period. This cost increase has not changed in the digital environment.



1% increase to address core needs, including libraries, was funded only twice, in 1999-2000 and 2000-01. From 2002-03 through 2004-05, permanent funds for core academic support were cut by a total of $81.9 million. As a result, earlier budgetary gains were largely erased.

Under the provisions of the Compact with Governor Schwarzenegger, funds to address the permanent shortfall in the library collections budget and other core needs were scheduled to once again become available beginning in 2008-09; however, the State's latest fiscal crisis prevented implementation of this provision. As discussed in the *Cross-Cutting Issues* chapter of this document, funds for this purpose were included in the University's 2008-09 and 2009-10 budget requests, but the State's fiscal crisis and the subsequent State funding reductions for UC meant that this request was not funded.

In order to address the funding shortfalls in the library budget, the University has identified and developed several strategies to reduce costs and promote broader and more efficient use of library resources. As shown in Display IX-5, these include reduced purchasing costs through interlibrary lending, lower capital costs resulting from use of shared off-site facilities, savings from systemwide digital collections development, and shared journal subscriptions. Specifically, through the California Digital Library, the UC libraries have negotiated dozens of favorable contracts with large publishers and vendors, resulting in millions of dollars in savings for digital serial licenses and other digital materials.

In spite of the significant efficiencies UC has introduced into its library system, growing evidence suggests that the strength of the University's library collections and services is declining in comparison with peer institutions, with a potential negative impact on the University's ability to recruit and retain faculty and support cutting-edge research programs.

The Library Program

Over the last 25 years, the University has employed a systemwide strategy that emphasizes not only campus collaboration and application of new technology to create a multi-campus library system with capabilities for coordination and sharing of resources that are unequalled by the research libraries of comparable university systems, but also innovations in organization and technology resulting in millions of dollars in avoided costs. Through their campus libraries, UC faculty and students have enjoyed increasingly faster and more convenient access to a larger universe of information in a wider variety of formats, even in the face of rising costs and constrained budgets. The UC Libraries have developed several programs which both increase access for and decrease cost to the University and Californians.

DISPLAY IX-5: ESTIMATED ANNUAL SAVINGS FROM LIBRARY INNOVATIONS AND EFFICIENCIES
(DOLLARS IN MILLIONS)

Resource Sharing	$37.9
Regional Libraries Facilities	$18.2
California Digital Library	$52.0
Shared Print Journal Collection	$3.9
Total	$112.0

Bibliographic Services, supported by MELVYL and a range of journal abstracting and indexing services, allow library users at any campus to easily locate and request items held anywhere in the UC system or in rapidly-expanding digital library collections.

Resource Sharing, including overnight courier services, facilities for immediate scanning and electronic delivery of journal articles and other brief items, and interlibrary lending, expedite the borrowing of materials across the system.

Regional Library Facilities in Richmond and Los Angeles house over 12 million volumes of infrequently-used materials of enduring research value deposited by campus libraries.

California Digital Library, through planned systemwide co-investments with the campus libraries, makes available to students, faculty, and staff from all UC campuses approximately 40,000 journal titles, 200 reference databases, and over 170,000 digital images and documents representing unique special collections resources. The libraries are creating collections of high-quality material that are solely available in digital form accessible not only to UC faculty and students, but also to the general public. These services, by making the University's information resources accessible to the general public, demonstrate that the libraries' investments in digital technologies to improve service for students and staff also have enormous potential to benefit all Californians in knowledge creation, technology transfer, economic development, and lifelong learning.

Shared Print Collections allow a campus to purchase single copies of printed material for systemwide use or assemble high-quality collections from existing campus holdings, avoiding unnecessary and unplanned duplication of collections and expenditures.

Mass Digitization. Millions of books from the UC libraries are being scanned through participation in mass digitization projects. These projects, currently in conjunction with Google and the Internet Archive, promise to stimulate greater innovation in UC research, expand access for the people of California to the University's rich scholarly information resources, help ensure the preservation of holdings, and enable significant efficiencies in collection management. These advances, in turn, support the mission of UC as a leading research engine in the growth of California, the advancement of knowledge, and the education of California's youth for a competent workforce.

"At UC you're part of something bigger than yourself. Our students put their knowledge to work in practical ways serving the people of California."

—Lawrence Pitts
University of California
Interim Provost

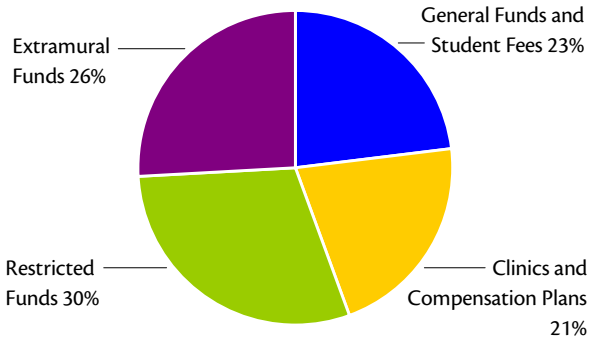
ACADEMIC SUPPORT — OTHER

Academic Support — Other includes various clinical or other support activities that are operated and administered in conjunction with schools and departments. The University's clinics are largely self-supporting through patient fees. State funds for Clinical Teaching Support are appropriated to the University for the hospitals, neuropsychiatric institutes, and dental clinics UC operates, in recognition of the need to maintain a sufficiently large and diverse patient population for teaching purposes.

In addition, a variety of other, non-clinical, activities provide academic support to campus programs, experiences for students, and valuable community services. Their financial support is derived from a combination of State funds, student fees, contracts and grants, and other revenue.

DISPLAY X-1: 2008-09 OTHER ACADEMIC SUPPORT EXPENDITURES BY FUND SOURCE

Expenditures totaled $1.2 billion in 2008-09. Clinics and other services are largely self-supporting through revenue other than core funds.



The State's ongoing fiscal crises have resulted in significant budget reductions throughout the University's budget. Academic and Institutional Support budgets were targeted by the Department of Finance for specific cuts of $36.5 million in 2003-04 and another $45.4 million in 2004-05. Since then, campuses have instituted additional targeted cuts to these programs associated with more recent budget shortfalls.

Description of Clinics

Occupational Health Centers

The occupational health centers at Berkeley, Irvine, and Los Angeles were created as a joint project of the California Department of Industrial Relations and UC to help serve the occupational health needs of California. Each center serves as the focal point for occupational health-related activities on the campuses in its geographical area, thereby strengthening the University's programs of teaching and research in these fields.

Veterinary Clinics

The veterinary medicine clinical teaching facilities at Davis and in the San Joaquin Valley, and the satellite site in San Diego, are specialized teaching hospitals and clinics that support the School of Veterinary Medicine. Students enrolled in veterinary medicine are trained at these facilities by faculty of the School of Veterinary Medicine in the clinical aspects of diagnosis, treatment, prevention, and control of diseases in animals.

Community Dental Clinics
The on-campus and community dental clinics at Los Angeles and San Francisco serve primarily as teaching laboratories in which graduate professional students pursue organized clinical curricula under the supervision of dental school faculty. The community dental clinics provide a spectrum of teaching cases that are generally not available in the on-campus clinics, enhancing the required training in general and pediatric dentistry. While providing valuable clinical experience for students, the clinics also serve to meet the dental health needs of thousands of low-income patients, many of whom would not otherwise receive dental care.

Optometry Clinic
The optometry clinic at Berkeley serves primarily as a clinical teaching laboratory for the School of Optometry, while providing a complete array of visual health care services for patients. At the clinic, optometry faculty supervise students in the clinical aspects of the prevention, diagnosis, and remediation of visual problems. In addition, students receive clinical experience at various Bay Area community health centers, which exposes them to a broad range of cases and provides a much-needed public service to the community.

Neuropsychiatric Institutes
UC's two neuropsychiatric institutes are among the state's principal resources for the education and training of psychiatric residents and other mental health professionals, and for the provision of mental health services. The primary missions of the institutes are to treat patients with diseases of the nervous system and to strive for excellence in the development of approaches to problems associated with mental retardation, psychological disorders, and neurological disorders.

Other Academic Support Programs

In addition to the clinics, UC operates a wide variety of other programs administered with schools and departments. Selected programs are discussed below.

Demonstration School
The demonstration school at UCLA serves as a teaching laboratory for experimentation, research, and teacher training in the field of education. The schools educate children and contribute to the advancement of education through research efforts and application of results.

Vivaria and Herbaria
Vivaria and herbaria are centralized facilities for the ordering, receiving, and care of all animals and plants essential to instruction and research.

Museums and Galleries
The University operates many museums and galleries. These cultural resources are open to children and adults throughout the state and are largely self-supporting, generating revenue through ticket sales.

The California Raptor Center
The California Raptor Center is an educational and research facility dedicated to the rehabilitation of injured or orphaned birds of prey, and offers educational programs to schools, ecological and environmental organizations, and the University community.

Other activities under Academic Support — Other include support for the arts and specialized physical sciences and engineering projects.

"We want to serve as a model for this nation in terms of what a system can bring to the health of its communities."

—John Stobo
University of California
Senior Vice President of Health Sciences and Services

TEACHING HOSPITALS

The University operates academic medical centers at the Davis, Irvine, Los Angeles, San Diego, and San Francisco campuses. A critical mission of the medical centers is to support the clinical teaching programs of the University's five schools of medicine as well as programs in the University's other health sciences schools.

To a large extent, the core clinical learning experiences in the health sciences take place in the UC medical centers, although changing needs in medical education have required the development of more out-of-hospital educational sites and primary care networks. The University's academic medical centers operate in urban areas, and three of the five centers are former county hospitals whose operation the University assumed at the request of the State rather than constructing new teaching hospitals of its own. Each medical center has several primary care and specialty clinics distributed in the communities they serve. The medical center at Irvine operates two federally qualified health clinics, serving underserved populations. In 2006, UC implemented the California Telehealth Network, a broadband network dedicated to healthcare, allowing over 300 California healthcare providers in underserved areas access to medical expertise and specialist knowledge around the state and nationwide through a live interactive video-conferencing network.

The medical centers provide a full range of health care services and are sites for testing the application of new information and the development of new diagnostic and therapeutic techniques. Four of the five medical centers currently operate as Level 1 Trauma Centers, capable of providing the highest level of specialty expertise and surgical care to trauma patients twenty-four hours a day, 365 days a year.

DISPLAY XI-1: UC MEDICAL CENTERS AT A GLANCE

The University's five academic medical centers constitute the fifth largest health care system in California.

▪ Licensed acute care inpatient bed capacity	2,925
▪ Patient days	862,000
▪ Outpatient clinic visits	3,768,000
▪ Emergency room visits	254,000
▪ MDs awarded per year	625
▪ Nursing degrees awarded per year	410

With their tripartite mission of teaching, public service, and research, the UC academic medical centers benefit both California and the nation. They provide excellent training for tomorrow's health professionals, educational opportunities for community health professionals who participate in the University's clinical teaching and continuing education programs, and health care services to thousands of patients each day. UC's patients generally have more complex medical conditions than patients at many other institutions, which often can only be managed in tertiary referral hospitals such as UC's academic medical centers. The complexity of the patient population is reflected in the specialty and regional nature of the care provided.

In alignment with the mission of advancing medical science and educating health professionals, the UC academic medical centers also play a critical role in maintaining healthcare access to medically vulnerable populations. This includes being major providers of care to Medicare and Medi-Cal eligible patients. Three of the medical centers have historically served a disproportionately high percentage of Medi-Cal patients, as well as uninsured patients, whose care may be covered only partially by county indigent care programs.

Funding the University's Teaching Hospitals

The University's teaching hospitals earn revenue from a variety of sources, each with its own economic constraints, issues, and policies. The shifting political environment of health care signals the possibility of changes to the hospitals' revenue sources over the next several years.

Medicare

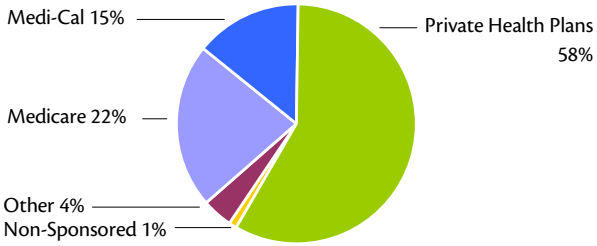
Patient care reimbursements from Medicare, the federal governmental health insurance system for eligible elderly and disabled persons, constituted 22%, or $1.2 billion, of medical center revenues in 2008-09. Each of the medical centers is currently certified as a provider for Medicare services and intends to continue to participate in the Medicare program. Periodically, the requirements for Medicare certification change, which can require UC to alter or upgrade facilities, equipment, personnel, billing processes, policies, and services in order to remain certified.

Medicare Graduate Medical Education Payments. Medicare also provides teaching hospitals with Graduate Medical Education payments to help pay for the direct medical costs of providing medical education and for direct programmatic costs allowable under Medicare, such as salary and benefits for medical residents.

Furthermore, Medicare indirect medical education payments are provided to teaching hospitals for some of the indirect costs associated with medical education, such as the extra demands placed on the medical center staff as a result of the teaching activity or additional tests and procedures that may be ordered by residents. The combined direct and indirect medical education payments in 2008-09 were $150 million, or 13% of Medicare reimbursement to the five medical centers.

DISPLAY XI-2: 2008-09 MEDICAL CENTER REVENUE BY SOURCE

Approximately 37% of medical center revenue comes from federal Medicare and Medi-Cal.



State and Local Funding Programs

Medicaid/Medi-Cal. Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain needy individuals and their dependents. Under Medicaid, the federal government provides grants to states that have medical assistance programs that are consistent with federal standards.

Known as Medi-Cal in California, Medicaid provided 14.5%, or $759.3 million, of medical center revenue in 2008-09. The State selectively contracts with general acute care hospitals to provide inpatient services to Medi-Cal patients and each of the medical centers currently has a Medi-Cal contract. Medi-Cal payments received by each of the medical centers include:

- fee-for-service payments,
- disproportionate share payments, which are supplemental payments to hospitals, such as the medical centers, that serve a disproportionately large share of Medi-Cal beneficiaries and other low income patients, and

- Safety Net Care Pool payments, which are payments for otherwise uncompensated care provided to certain uninsured patients.

County Funding Programs. Counties in the State of California reimburse hospitals for certain indigent patients covered under county contracts. The Davis, Irvine, and San Diego Medical Centers, former county hospitals, currently have contracts with their respective counties to provide care to the uninsured.

Counties use local tax dollars from their general fund to subsidize health care for the indigent. Some spending is required in order to receive State matching funds, but many counties appropriate additional discretionary funds to cover the costs of serving the uninsured. However, the downturn in the state's economy also affected local county revenues, creating increased competition among local services for reduced funds, severely constraining the ability of local governments to adequately fund health care services to the uninsured. Measures enacted to mitigate the impacts have not provided full relief.

One of these measures, the Tobacco Tax and Health Protection Act, which imposes an additional tax on cigarettes and other tobacco products, generated $53.7 million in 2008-09 for hospitals to treat patients who cannot afford to pay. Total county funding represented $88.6 million, or 2% of teaching hospital funding.

Clinical Teaching Support. State General Funds are appropriated to the University in recognition of the need to maintain a sufficiently large and diverse patient population at the medical centers for teaching purposes. These funds, called Clinical Teaching Support (CTS), are generally used to provide financial support for patients who are essential for the teaching program because their cases are rare or complicated (providing good training experience), but who are unable to pay the full cost of their care.

While CTS funds represent about $53.7 million, or only 1% of the total operating revenue for the medical centers, they continue to be important to the quality of the clinical teaching programs and to the financial stability of the medical centers. CTS funds allow the medical centers to serve a diverse pool of patients in order to achieve their teaching mission.

Private Health Plans and Managed Care
Private health plans, in all forms, represent the largest source of revenue for the medical centers. Revenue from this source is about $3 billion in 2008-09, or about 58% of the total. Health care, including hospital services, is increasingly paid for by "managed care" plans that incentivize reduced or limited cost and utilization of health care services. Managed care plans pay providers in one of three ways:

- a negotiated fee-for-service;
- for institutional care, a fixed rate per day, which is discounted from the typical charges for the care provided and, in some cases, is less than the actual cost of such care; or
- a "capitation" payment under which hospitals are paid a predetermined periodic rate for each enrollee in the plan who is assigned or otherwise directed to receive care at a particular hospital.

Under each model of managed care, providers assume a financial risk for the cost and scope of institutional care provided to a plan's enrollees. If a medical center is unable to adequately contain its associated costs, net income is adversely affected; conversely, medical centers that improve efficiency or reduce incurred costs maximize revenue.

Current Challenges and Issues

UC medical centers are subject to the same pressures currently confronting most hospitals, including:

- changes to the federal Medicare program that affect direct and indirect support for medical education and reimbursement for patient care;
- changes to federal Medi-Cal payments for patient care, including aggregate caps on supplemental payments;
- increasing unreimbursed costs related to medically uninsured patients;
- rising costs of pharmaceuticals and medical supplies;
- increasing salary and benefit costs, including reinstatement of employer contributions to UC's retirement system;
- financing seismic retrofit and other significant capital needs, such as upgrades necessary for programmatic changes;
- increasing demand for services and capacity constraints;
- a shortage of key personnel, particularly nurses, laboratory technicians, and radiology technicians, resulting in increased use of temporary labor;
- community preparedness activities, such as establishing procedures for responding to epidemics; and
- compliance with government regulations, such as AB 394, which established licensed nurse-to-patient ratio requirements, effective January 1, 2004.

Despite these economic issues, the UC medical centers must generate sufficient funds to meet their teaching mission and support their schools of medicine. The financial viability of the UC medical centers depends upon payment strategies that recognize the need to maintain an operating margin sufficient to cover debt, provide working capital, purchase state-of-the-art equipment, invest in infrastructure and program expansion, support medical education, and allow care for the poor.

Additionally, the increased public policy discussions regarding health care reform suggest the potential for change that could significantly impact the academic medical centers. To the extent that healthcare reform results in expanded health care for coverage for uninsured patients currently served by the medical centers, the result could be extremely positive. Conversely, to the extent healthcare reform limits reimbursement payments from public programs, or imposes market reforms that reduce commercial insurance payments to the medical centers, the result could negatively impact the medical centers.

Seismic Safety and Other Capital Outlay Issues

SB 1953, the Hospital Seismic Safety Act, was enacted in late 1994, requiring general acute-care inpatient hospitals to meet standards designed to prevent collapse in a major earthquake by 2008, even though the hospital may not remain operational after the earthquake. By 2030, hospitals are required to meet higher building standards that would increase the probability of remaining operational following a major earthquake.

UC estimated that compliance with SB 1953 would cost at least $600 million, but no provisions for funding were included in the legislation. A trailer bill to the 2000 State Budget Act authorized the State Public Works Board (SPWB) to issue up to $600 million in State lease revenue bonds for six seismic correction projects at the University's acute care hospital facilities. Four of these projects have been completed, while three are expected to be completed by June 2010, and the final is expected to completed in June 2012.

In addition, the medical centers have other significant capital needs, such as upgrades necessary for programmatic changes, which cannot be addressed with the State's lease revenue bonds. Therefore, the UC medical centers use hospital reserves and conduct significant funding campaigns to supplement available funds. The Los Angeles Medical Center received significant

DISPLAY XI-3: ALLOCATIONS FOR SEISMIC PROJECTS AT UC MEDICAL CENTERS

In anticipation of the sale of $600 million of State lease revenue bonds, The Regents approved allocations in November 2000 for renovation and replacement projects at the medical centers.

Campus (Allocation)	Project (Expected Completion)
Davis ($120 million)	Tower II, Phases 2 and 3 (completed)
	Surgery and Emergency Services Pavilion (May 2010)
Irvine ($235 million)	Irvine Replacement Hospital (completed)
Los Angeles ($180 million)	Westwood Replacement Hospital (completed);
	Santa Monica Replacement Hospital (June 2012)
San Diego ($40 million)	Hillcrest Facility renovation (December 2009);
	Chiller Building (June 2010)
San Francisco ($25 million)	Moffit/Long Hospital renovation (completed)

funding provided from insurance and from the Federal Emergency Management Agency as a result of damage done by the Northridge earthquake in January 1994 to build the new hospital in the Westwood campus and the Santa Monica Medical and Orthopedic Hospital in Santa Monica.

At the September 2008 UC Regents meeting, the UCSF Medical Center received approval for project design, budget, and environmental certification for a new hospital complex on the UCSF Mission Bay campus.

"Students learn and grow both inside and outside the classroom. We are committed to providing a positive and enriching campus experience for all of our undergraduate and graduate students."

—Judy Sakaki
University of California
Vice President of Student Affairs

STUDENT SERVICES

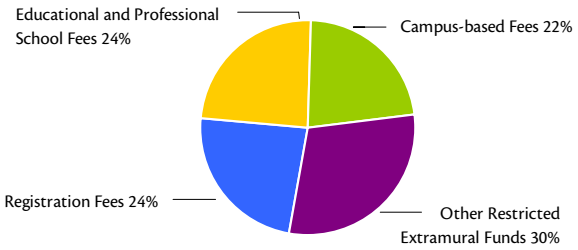
Student services programs and activities contribute to students' intellectual, cultural, and social development outside of the formal instructional process. These services can have a significant influence on a student's academic outcomes and personal development, as well as help create bridges between what students learn in the classroom and how they apply their knowledge and skills on campus and in the broader community. Student services are supported entirely from non-State funds. In 2009-10, the student services budget is $605.1 million, 70% of which is generated from student fee income.

Student services include a variety of programs:

- **Counseling** assists students with scholastic performance, choice of major, personal concerns, assessing interests and aptitudes, and exploring career opportunities.
- **Academic support services** offer individual and group tutorial services in writing, mathematics, study skills, and preparation for graduate and professional school exams.
- **Cultural and social activities** enhance quality of life for students and the campus community. Such activities include music, dance, drama events, speakers, and sports activities.
- **Student health services** provide primary care and other services to keep students healthy, including general outpatient medical care; specialty medical care, including mental health; and health education.

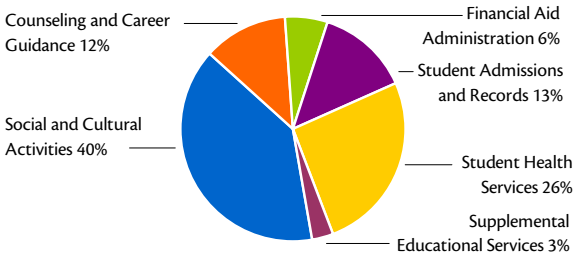
DISPLAY XII-1: 2008-09 STUDENT SERVICES EXPENDITURES BY FUND SOURCE

Student fee revenue, including campus-based fees, provides 70% of the funding for student services.



DISPLAY XII-2: 2008-09 STUDENT SERVICES EXPENDITURES BY PROGRAM CATEGORY

More than 75% of student services expenditures are non-administrative activities in counseling, cultural and social activities, and student health services.



- **Campus admissions and registrar operations** include the processing of applications for admission, registration of students, scheduling of courses, maintaining and updating student academic records, preparing of diplomas, and reporting of statistics.
- **Campus financial aid offices** counsel students about their financing options; determine and monitor the eligibility of students for financial assistance; and develop financial aid packages

for students, which include scholarships, fellowships, grants, fee waivers/remissions, loans, and work-study jobs from federal, State, UC, and private sources.

- **Services to students with disabilities** include readers for the blind, interpreters for the deaf, note-taker services, mobility assistance, provision of adaptive educational equipment, disability-related counseling, and other services.

Student services programs, as with most University programs, suffer from underfunding. Student services were adversely affected by severe budget cuts during the early 1990s, when the University was forced to make reductions due to the State's fiscal crisis; those cuts have not been restored. In 2002-03, student services programs were again reduced by a mid-year cut of $6.3 million, which grew to $25.3 million in 2003-04 – equivalent to a 20% reduction in Registration Fee-funded programs. These reductions occurred when student enrollment increased with corresponding growth in demand for student services, including during summer.

Due to the University's current funding shortfall, campuses report that budgets for student services for 2009-10 have been reduced by 15-25%. Campuses estimate that for 2009-10, 250 student services positions have been frozen, more than 100 positions have been eliminated, and at least 50 student services positions have been consolidated.

As student needs change and as greater numbers of students enroll at UC campuses, it is becoming increasingly difficult to provide adequate services for students in the face of severely reduced budgets. Achieving adequate support for student services remains a high priority for the University.

Registration Fee Task Force

Registration Fee funds provide about one-fourth of all University funds spent on student services. (As noted in the *Student Fees* chapter, revenue from the Registration Fee funds services that are necessary to students, but not part of UC's programs of instruction, research, or public service.) At the May 2008 Regents' Meeting, then Regent-Designate Scorza raised questions about allocations of Registration Fee funds and funding levels for student services. Consequently the Office of the President worked closely with the campuses to prepare the October 2008 *Report on the Use of Registration Fees*. A Registration Fee Working Group comprised of student leaders wrote a report in response. Using the Working Group's recommendations as the starting basis for its discussions, in 2009-10 a systemwide Registration Fee Task Force will give careful consideration to issues related to the Registration Fee, including the policy governing the fee and the use of fee funds. The Task Force, which consists of executive vice chancellors, representatives from student affairs, planning and budget, student leadership, and faculty from throughout the University system, will make recommendations to the President for changes to policy and practice around the use of the Registration Fee.

Student Mental Health Services

In recent years, student mental health issues have become a growing concern at UC as well as at other higher education institutions across the nation. Psychological counseling has become an area of major importance, given the increasing numbers of students arriving annually who are on medications or who otherwise manifest behavioral or other psychological issues that negatively impact their wellness and academic performance or that of other members of the UC community.

A comprehensive systemwide review of student mental health issues and the challenges associated with providing these necessary services, which was presented to the Regents in September 2006 found the following:

- consistent with national trends, UC students are presenting mental health issues with greater frequency and complexity;
- budget constraints limit campus capacity to respond to mental health issues and result in longer student wait times, difficulty retaining staff, and decreased services and programs; and
- increasing demand and declining capacity pose a threat to the learning environment because of the significant adverse impacts on faculty, staff, and fellow students when students are inadequately cared for through the existing mental health system.

Recommendations in the final report include:

- restoring critical mental health services to fully respond to students in distress or at risk;
- implementing and augmenting targeted interventions through education, support, and prevention programs, and restoring staffing levels in those units best poised to assist high-risk students; and
- taking a comprehensive approach to creating healthier learning environments by enhancing the full spectrum of student life services, and by revising administrative policies and academic practices that influence communication and collaboration around these issues.

In response to the urgent priority to enhance mental health services, in 2007-08 and 2008-09 the University dedicated $12 million in funding from Registration Fee increases for this purpose. As reported to the Regents in March 2009, campuses have made substantial progress in providing mental health services; for example, between 2005 and 2007, counseling wait times decreased from 31 days to 8 days, and the psychologist-to-student ratio improved by 26%. The University will continue to monitor student mental health and the effectiveness and adequacy of new initiatives and programs supported by this new funding. Student mental health issues remain a serious concern at the University and further investment in improving these services may be needed.

Other Future Needs

Campuses have identified the following critical needs for additional student services funding, should the State's fiscal situation permit new initiatives at some future point:

- Campuses need increased funding for academic support programs, including tutoring in writing, mathematics, and study skills; and preparation for graduate and professional school exams. Additional funds are also needed to help bridge the digital divide between those students who enter the University with high levels of experience in using technology and other students, particularly those from lower income or disadvantaged backgrounds who do not have the skills necessary to take full advantage of the available technological resources on campuses.
- The strain on student services budgets has been exacerbated over time by the increasing demand for services to students with disabilities, many of which are very expensive and cause limited student services funds to be spread even more thinly. There has been an increase in the number of students needing interpreting and/or real-time captioning services (costs have increased for interpreters), suffering repetitive stress injuries, and requiring multiple forms of auxiliary services and assistive technology. Additionally, larger numbers of veterans are enrolling at UC and many of these students have a combination of physical and emotional disabilities that require greater levels of service.
- Campuses have not had the resources to invest sufficiently in major student information systems (e.g., student information services; web-based services; and registration, admission, student billing, financial aid, and accounting services) to meet the current and future needs of students and student service organizations.

"Dollars saved through administrative efficiencies and restructuring can be redeployed into our academic programs."

—Nathan Brostrom
University of California
Interim Executive Vice President for Business Operations

INSTITUTIONAL SUPPORT

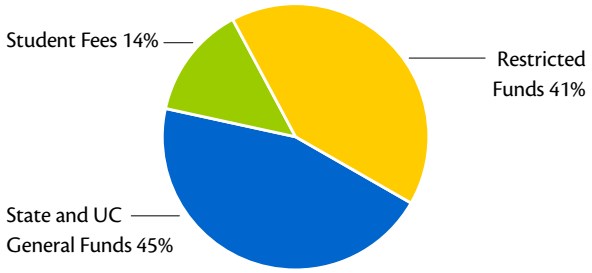
Institutional support services provide the administrative infrastructure for the University's operations. Grouped into five broad categories, institutional support activities include:

- **Executive Management** — offices of the President, Vice Presidents, Chancellors, and Vice Chancellors; and planning and budget offices;
- **Fiscal Operations** — accounting, audit, and contract and grant administration;
- **General Administrative Services** — computer centers, information systems, and personnel;
- **Logistical Services** — purchasing, mail distribution, and police;
- **Community Relations** — government relations, development and publications.

State funding for institutional support has failed to keep pace with enrollment and other program growth, and general inflation. Moreover, the University faces a growing body of unfunded mandates affecting institutional support, including new accounting standards, increased accountability requirements, and compliance reporting in areas ranging from environmental health and safety to fair employment practices and compensation issues. To comply with these unfunded mandates, the University has absorbed increased costs necessitated by new data collection processes and costly changes to existing information and reporting systems.

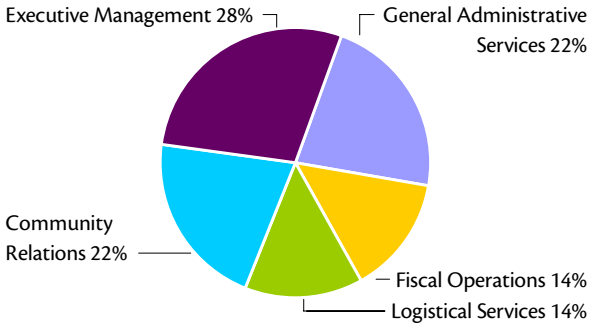
DISPLAY XIII-1: 2008-09 INSTITUTIONAL SUPPORT EXPENDITURES BY FUND SOURCE

Core funds provide almost 60% of institutional support funding. Significant other sources include private funds, endowment earnings, and indirect cost recovery for contract and grant administration.



DISPLAY XIII-2: 2008-09 INSTITUTIONAL SUPPORT EXPENDITURES BY CATEGORY

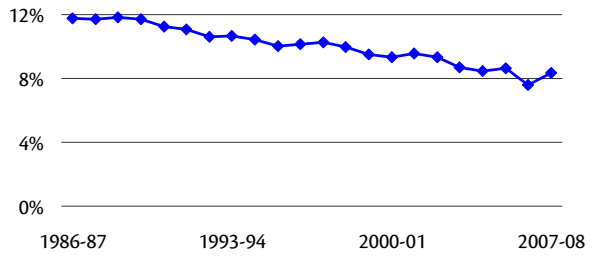
Fiscal operations, administrative and logistical services, and community relations comprise 72% of institutional support expenditures.



Despite these added expenses, institutional support expenditures as a proportion of total University expenditures have actually decreased

DISPLAY XIII-3: INSTITUTIONAL SUPPORT AS A PERCENTAGE OF UNIVERSITY SPENDING

Since 1986 spending on institutional support as a percentage of total UC expenditures has dropped steadily, from 11.8% in 1986-87 to 8.3% in 2007-08.



over the last 30 years. Institutional support budgets are often one of the first areas of the budget to be reduced in difficult economic times. In response, UC administrative units have implemented new processes and better utilized technology to increase productivity in order to meet increasing workload demands under constrained budget situations.

Since the early 1990's, institutional support budgets have been deeply impacted as a result of the State's fiscal problems. Due to legislative intent language and the shared desire of the University and the State to protect core academic programs, institutional support has often been targeted for additional cuts over the years.

- Between 1995-96 and 1998-99, budget reductions totaled $40 million, consistent with productivity improvements mandated under a four-year Compact between then-Governor Wilson and higher education.
- In 2003-04 and 2004-05, institutional support and academic support budgets were reduced by a total of $81.9 million.
- For 2008-09, the State directed that $32.3 million be reduced from institutional support.

In addition to these base budget cuts, unavoidable costs related to faculty merits, employee health benefits, energy cost increases and maintenance of new space, have often been funded by redirecting resources from institutional support. Reduced funding of institutional support presents challenges that affect critical University functions.

To address the $32.3 million reduction required in 2008-09, as well as the University's own desire and efforts to streamline and improve the effectiveness of administrative services, savings have been generated through the restructuring of UCOP (discussed more fully below). Additional savings will be realized through campus administrative efficiencies as campuses downsize in response to budget cuts.

UCOP Restructuring

In April 2007, the University began an initiative to improve the administrative efficiency and effectiveness of UCOP, which has had a beneficial impact across the UC system. The assessment recommended rebuilding UCOP as an efficient and high performing organization that is both smaller and more focused in mission.

Beginning in 2008-09, the University implemented plans that reduced spending at UCOP. Over a two-year period through 2009-10, total reductions, including UCOP, the Academic Senate and the Regents' Offices, are estimated to reduce the budget by a total of 17.5% ($62.2 million), including staff reductions of 30% (631 FTE) as shown in Display XIII-4. Additional reductions are resulting from the latest round of budget cuts by the State.

Restructuring of UCOP has included thorough department-by-department functional analyses, providing the basis for consolidation of many functions. These measures include:

- consolidation of fragmented functions within UCOP to reduce redundancy;
- establishment of new "service centers" for important systemwide functions; and
- elimination or reduction of low priority activities.

DISPLAY XIII-4: OFFICE OF THE PRESIDENT BUDGET AND CUMULATIVE REDUCTIONS
(DOLLARS IN MILLIONS)

Fiscal Year	Budget	FTE
2007-08	$355.5	2,070
2008-09	$300.3	1,570
2009-10	$293.3	1,439
Cumulative Savings	$62.2	631

UCOP remains critical to the success of the UC system. A well-operated central administration can reduce redundancy across the system and help strategically position the campuses to perform the University's core mission.

Campus Administrative Savings

The State fiscal crisis has added to the urgency of finding additional administrative savings. Faced with deep cuts in 2008-09 and 2009-10, campuses have taken steps to implement cost cutting measures.

In January 2008, the University convened the UC Work Group on Administrative Efficiencies, composed of leaders from campuses and UCOP, to explore opportunities for campus and systemwide initiatives that would improve quality and lower the cost of administrative processes, systems, and services.

The work group considered in excess of fifty proposals for improving administrative services and increasing efficiency and in July 2008 issued a report on recommendations the University could implement to realize savings. Proposals include:

- **improvements in financial processes** — streamline functions by adding further automation to the consolidated billing process and direct deposit, and implement collaborative proposals for similar services and developing a contracts and grants billing module.
- **improvements in administrative processes** — streamline processes, such as the approval process for capital projects, establishing Business Service Centers to consolidate processing and reducing travel costs by utilizing teleconferencing and videoconferencing.
- **an integrated human resources (HR) strategy** — take action to address succession planning as the "baby boomers" approach retirement and implement incentives to attract and retain the future workforce.
- **improvements in HR processes** — streamline HR functions by implementing an HR Information System (HRIS) for the University and revise processes related to collective bargaining and UC personnel policies.
- **information technology (IT) initiatives** — create regional data centers that serve multiple campuses, consolidating campus IT services and support, implementing a systemwide data warehouse, and fostering campus collaborations on shared IT systems.
- **opportunities for Legislative relief** — reduce administrative workload by seeking relief from certain legislation that has added workload without adding additional resources (which may require the active support of the Regents).
- **an investment fund strategy** — explore new opportunities for managing assets in ways that generate additional discretionary revenues without generating unacceptable risk and explore new opportunities for leveraging available resources to accelerate investments that result in administrative cost efficiencies.

It should be remembered that since the fiscal crises in the early 1990s and early 2000s, campuses had already moved to streamline processes that have produced significant savings and improvements in efficiency. These efforts have included consolidating campus Web sites into unified campus portals, transforming previously manual processes at central offices to self-service sites on the Web, and collaborations across campuses in implementing a new reporting system. The efforts of this work group aim to expand the achievements in administrative efficiency thus far.

"Our campuses have made sustainability and energy conservation a priority because it's the right thing to do for the health of our planet. And we're saving money."

—Patrick J. Lenz
University of California
Vice President for Budget

OPERATION AND MAINTENANCE OF PLANT

An essential activity in support of the core mission of instruction, research, and public service is the operation and maintenance of plant (OMP), including facilities, grounds, and infrastructure. UC maintains 122 million gross square feet of space in over 5,000 buildings at the ten campuses, five medical centers, and agricultural field stations. Over 58 million square feet (nearly 50%), is eligible to be maintained with State funds. The remaining space houses self-supporting programs, such as the medical centers and other auxiliary enterprises. OMP costs of facilities housing these programs are included in the budgets for these self-supporting enterprises. The OMP budget for the State-eligible space, totals $496.4 million in 2009-10.

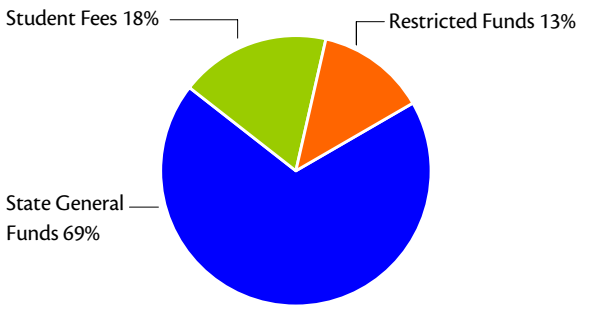
Three types of funding are required to operate, maintain, and preserve these buildings and supporting campus infrastructure:

- **annual support for operation and maintenance of plant (OMP)** – includes building maintenance and purchased utilities;
- **capital renewal** – the systematic replacement of building systems and campus infrastructure to extend useful life; and
- **deferred maintenance** – the unaddressed backlog of renewal resulting from chronic underfunding of OMP and the lack of regular and predictable investment in capital renewal.

The impact of severe State budget cuts in 2008-09 and 2009-10 on funding of University facilities must be viewed against the backdrop of the existing challenges campuses have faced in recent years as they have sought to maintain facilities that can effectively support the University's vast array of instruction, research, and public service programs. The latest budget cuts compound years

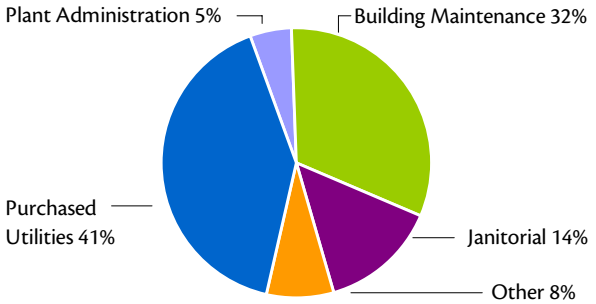
DISPLAY XIV-1: 2008-09 OMP EXPENDITURES BY FUND SOURCE

Over two-thirds of OMP expenditures are supported from State General Funds.



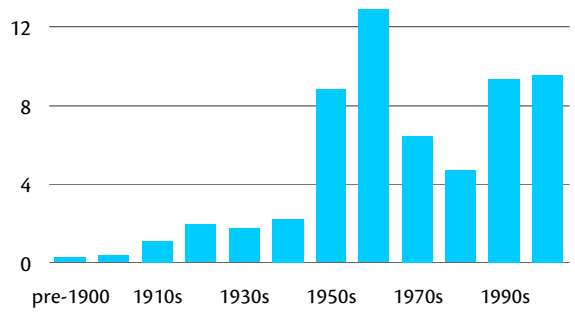
DISPLAY XIV-2: 2008-09 OMP EXPENDITURES BY PROGRAM CATEGORY

Purchased utilities account for over 40% of OMP expenditures. Another 32% funds building maintenance.



DISPLAY XIV-3: STATE-MAINTAINED PROGRAM SPACE BY DECADE OF CONSTRUCTION
(GROSS SQUARE FEET IN MILLIONS)

Due to the rapid expansion of the University during the 1950s and 1960s, about 60% of State-eligible space is more than 30 years old.



of underfunding of OMP, particularly for basic building maintenance, and the historical absence of systematic funding of capital renewal. Chronic underfunding of OMP shortens the useful life of building systems, accelerating capital renewal needs and increasing deferred maintenance.

Problems arising from underfunding of OMP have been further compounded by rising costs to operate and maintain the University's vast inventory of aging facilities and the growing number of energy-intensive laboratories of specialized research facilities. About 60% of the University's State-eligible space is more than 30 years old, with the majority of that space built between 1955 and 1975. These aging facilities are more expensive to maintain and, with building systems at or beyond their useful life, a principal driver of the University's escalating capital renewal needs. Moreover, specialized research facilities comprise a growing percentage of the University's inventory of State-eligible space, further straining limited OMP funds with higher utility and maintenance costs. Dramatically rising purchased utilities costs and a growing inventory of eligible, but unfunded, State space have also contributed to the OMP funding shortfall.

With operation and maintenance budgets already strained, most campus facilities departments have had few options when faced with the latest round of budget cuts. Many campuses have been required to turn to reductions in permanent core staff to absorb the level of recent cuts. These significant reductions in operation and maintenance budgets come at a time when basic operating costs are increasing due to continuing growth in campus physical plants, relentlessly rising purchased utilities costs, and substantial new compensation commitments from recently-negotiated collective bargaining agreements.

OMP funding supports several facilities service functions, including regular building and grounds maintenance, janitorial services, utilities operations, and purchased utilities. Overall OMP funding of building maintenance and other facilities service functions (excluding purchased utilities) was estimated to fall between 60% and 70% of standard before recent budget reductions, based on workload standards developed in the early 1980s by the University and CSU, in conjunction with the Department of Finance and the Legislative Analyst's Office.[1]

In recognition of more than two decades of chronic underfunding of the University's OMP needs, the Legislature proposed a funding plan in 1996-97 to begin to eliminate over four years an

[1] The OMP workload standards developed 25 years ago established minimum baseline costs for operating and maintaining average buildings at the University of California and the California State University. Since those standards were developed, however, programmatic requirements, particularly in the sciences and engineering, have required that the University construct more facilities to support a complex array of advanced research and technology-oriented programs to meet its evolving teaching and research missions. These facilities, in general, are more energy intensive and contain technology and complex mechanical systems that are more costly to operate and maintain and have higher capital renewal requirements than other University facilities. As the University's building mix shifts, the OMP workload standards developed in the early 1980s grow increasingly obsolete and fail to reflect the University's full OMP funding requirements.

estimated $60 million funding shortfall for ongoing maintenance services by providing $7.5 million in State funds each year to be matched by an equal amount of University funds. The University provided its share of the funding during the first two years of the plan, for a total of $13.5 million; however, due to the State's fiscal constraints, the State was unable to provide its share. Beginning in 1999-00, the Partnership Agreement with Governor Davis called for annual improvements in OMP funding to be provided as part of a 1% increase to UC's General Fund base, with a goal of funding two-thirds of the OMP funding shortfall over a four-year period. Increases for OMP of $4 million in 1999-00 and $4.5 million in 2000-01 were provided. However, due to the State's deteriorating fiscal situation, no additional funding to rebuild the OMP base has been provided since 2001-02.

Beginning in 2008-09 and continuing through 2010-11, the Compact with Governor Schwarzenegger called for an additional 1% adjustment to the base to be used to address critical budgetary shortfalls in State funding for core academic support: instructional equipment, instructional technology, libraries, and ongoing building maintenance. Due to the budget cuts in 2008-09 and 2009-10, this provision of the Compact was not funded.

Support for New Space

Funding of new space is an essential annual budget need. Unfortunately, the State's ongoing fiscal crisis has prevented the State from providing adequate operating and maintenance funding, including no funding in 2008-09 and 2009-10, at a time when the University has added considerably to its building inventory to meet the demands of a decade of enrollment growth. The cumulative shortfall in funding of new space over the last eight years has exacerbated the effects of the long term underfunding of OMP.

In 2002-03, the State provided OMP support for utilities and maintenance costs for only about two-thirds of the new core instructional and research space. For the next two years (2003-04 and 2004-05) the State provided no funding for new space. In the absence of State funding, the University redirected $7 million from existing University resources to address the most critical operation and maintenance needs for the new space added during that period. In 2005-06, $16 million of funding was provided within the approved budget plan to support space added that year and to partially backfill for the unfunded space that had opened during the preceding two years. Nevertheless, as depicted in Display XIV-4, more than $50 million in costs related to new space that has been added to the University's inventory over the last eight years remains unfunded by the State.

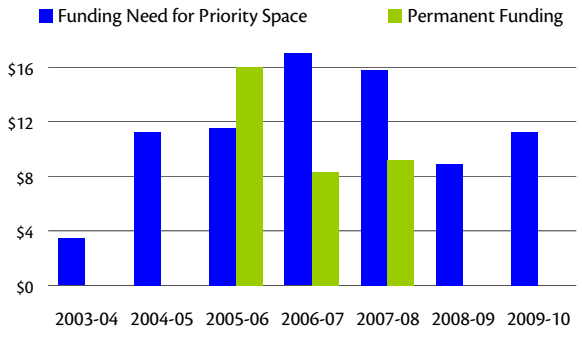
In response to legislative supplemental language, the Department of Finance, the Legislative Analyst's Office, UC, and CSU reviewed the marginal cost of instruction calculation formula and revised it for 2006-07 to reflect more accurately the cost of hiring new faculty, as well as of maintenance of new space. Using the new marginal cost methodology[2], $8.3 million was provided in 2006-07 for new space. In 2007-08, $9.2 million was provided for new space, based on a marginal cost of $10,500 per student.

With no State funding for OMP in 2008-09 due to the State's fiscal crisis, the University redirected $9.7 million of savings from restructuring at the Office of the President to ensure that campuses had basic operating and maintenance funds to open 983,000 gross square feet of new space. The State did not fund OMP again in 2009-10. Moreover, given the State's continuing fiscal situation, it is uncertain when it will resume

[2] A discussion of the marginal cost methodology may be found in the *General Campus Instruction* chapter.

DISPLAY XIV-4: ANNUAL NEED AND STATE FUNDING FOR MAINTENANCE OF NEW SPACE
(DOLLARS IN MILLIONS)

During six of the last seven years, the need for funding to maintain new space has exceeded State appropriations.



funding this critical program. Nevertheless, as a reflection of the need to inform the State and others of the University's most urgent funding needs, the 2010-11 budget plan includes a request to fund 14,000 FTE students at the agreed-upon marginal cost of instruction. If this request is funded, $25.7 million will be committed to maintenance of new space that has opened in the last two years.

If the budget plan is not funded, the University will redirect one-time savings from debt restructuring to provide $11.2 million in 2009-10 and $19.5 million in 2010-11 to cover maintenance of new space. This funding does not address the significant permanent budget need to support this new space, but it does provide temporary relief to campuses, especially those campuses opening large core I&R buildings at a time of significant cuts to operating budgets. This temporary funding will cover operation and maintenance costs of approximately 1.1 million gross square feet of new space in 2009-10 and additional space anticipated in 2010-11. The proposed plan funds facilities housing high priority core instructional and research programs.

If the State were to fund the University's budget request, the University would be able to fund maintenance of new space without negative impacts on other areas of the budget. Without new State support, the University faces difficult decisions – continuing to redirect funds from within strained existing resources to operate and maintain its facilities is not sustainable over the long term.

Purchased Utilities

Rising purchased utilities costs have had a severe impact on the ability of campuses to manage OMP costs. Since 1999-00, the University's overall expenditures for purchased utilities have increased 90%, while electricity and natural gas costs have jumped by over 140%.

In 2010-11, the University anticipates increases in electricity and natural gas costs of $13 million. This projected increase in costs would be higher had the University not negotiated longer-term direct access electricity contacts and procured natural gas through a State program. Unless State funds are provided, campuses will need to continue to absorb increases in purchased utilities costs by redirecting funds from existing programs.

The University first experienced steep increases in purchased utility costs in 2000-01 and 2001-02 as a result of the statewide energy crisis. While the UC/Enron "direct access" contract protected several UC campuses from the volatility of statewide electricity rates until March 2002, the University paid increasingly higher rates for natural gas throughout 2000-01 and 2001-02. Recognizing these increased costs, the State provided the University with $75 million in 2000-01 and 2001-02 to help offset the increases in purchased utility costs, with $20 million intended as a permanent allocation. However, mid-year budget cuts in 2001-02 eliminated $25 million of this total, including all of the permanent allocation, leaving only $50 million of one-time funds to address the substantial ongoing shortfall in the purchased utility budget. Since 2001-02, no State funding to offset

increasing utility costs has been appropriated beyond that provided in the Compact, even though the University's purchased utilities costs have continued to escalate since 2002-03 at an average rate of 8% annually.

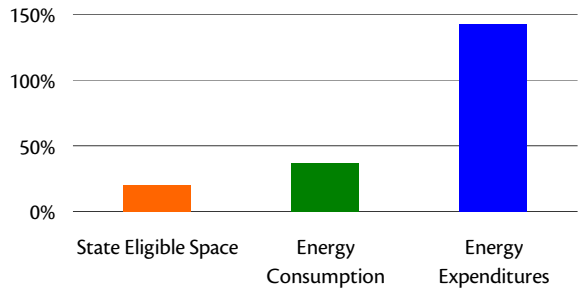
Purchased utilities costs are affected by both commodity rates and consumption levels. Commodity rates for electricity and natural gas have accounted for most of the steep rise in purchased utilities costs since 1999-00, though consumption has also increased, reflecting enrollment-driven growth in new space.

Between 1999-00 and 2008-09, the University's state-eligible space increased by 20%. A disproportionate amount of this new space has been laboratory and other specialized research facilities, which on average consume more than twice as much energy as basic classroom and office buildings. Consequently, these "complex" buildings, which now comprise slightly less than half of the total State-eligible space, account for nearly two-thirds of the energy use in the University's state-eligible space, as shown in Display XIV-6. As the UC continues to replace buildings with more "complex" laboratories and specialized research facilities supporting programs in engineering and the physical and biological sciences, this ratio is likely to increase.

Without additional State funding, UC has sought to mitigate the relentless rise of purchased utilities costs by moving aggressively to reduce overall energy consumption. It has continued to implement stringent energy conservation measures, undertaken capital improvements to maximize the efficiency of new buildings, taken measures to purchase energy at the lowest rates possible, and continued to invest in energy efficiency projects, such as installing energy monitoring and metering systems, and retrofitting existing facilities to install and upgrade temperature controls, efficient lighting systems, motors, and pumps.

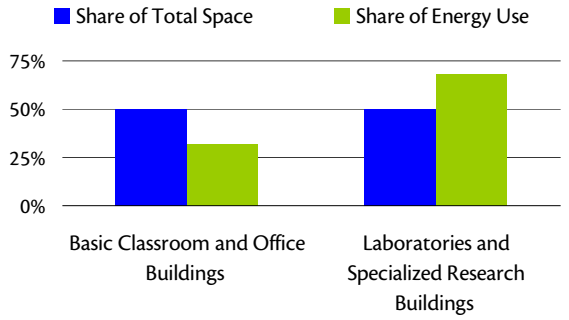
DISPLAY XIV-5: GROWTH IN STATE SPACE, ENERGY CONSUMPTION, AND ENERGY COSTS BETWEEN 1999-00 AND 2008-09

Between 1999-00 and 2008-09, the University's total maintained space has risen by 20% and energy consumption has risen by 37%. Due to significant increases in prices, total expenditures for electricity and natural gas have risen over 140%.



DISPLAY XIV-6: ENERGY USE BY BUILDING TYPE

Laboratories and specialized research facilities consume on average more than 2 times the energy used by campus classroom and office buildings.



Other large scale conservation projects have included the development of new energy efficient co-generation facilities at the San Francisco, Los Angeles, and San Diego campuses and thermal storage facilities at the Davis, Irvine, Merced, and Riverside campuses. The University's Policy on Sustainable Practices requires that new facilities be designed so that energy use is 20% below existing Title 24 State standards. The policy also sets a systemwide goal of providing 10 megawatts of local renewable power and reducing growth-adjusted, nonrenewable energy consumption by 10% or more below 2000 levels by 2014.

Many of the University's energy efficiency projects have been subsidized through partnership

programs with the State's investor-owned utilities. Since 2004, the University has implemented $46 million of energy projects, garnering $23.5 million in incentive grants and $5 million in annual energy savings.

The University is currently implementing an ambitious partnership program over the next three years to help meets its 2014 energy reduction goals. To support this larger incentive program, the University developed a Strategic Energy Plan that identifies opportunities for reducing energy use at each of the campuses and medical centers. Based on findings of the Strategic Energy Plan, the University has made a commitment to the State's investor-owned utilities to deliver a specified level of energy savings over the duration of the program. In March 2009, the Regents approved a $247 million program. Of these costs, external financing will provide $178 million, with utility incentive payments and other campus funds providing the rest. This financing will ensure that campuses are able to fund project costs not covered by utility incentive awards. UC has also negotiated provisional budget language with the State to allow campuses to pledge operating funds for debt service on externally financed projects in State-supported facilities.

The partnership program is expected to include more than 900 energy conservation projects over the three-year period and generate over $61 million in incentive payments from the utilities to offset project costs and provide $36 million annually in energy savings. Debt service for both State- and non-State-supported projects completed over the three-year program is expected to be about $17.8 million annually for the 15-year term of the financing. The program is expected to reduce systemwide electricity consumption by 11%, natural gas consumption by 8%, and greenhouse gas emissions by 9%.

In addition to pursuing energy conservation opportunities, the University has continued efforts to obtain favorable contracts for electricity and natural gas. The University recently executed a 20-month "direct access" electricity supply contract with RBS Sempra Commodities that will extend through April 2011. Sempra rates are competitive with utility rate structures and going forward, "direct access" service is expected to expand on those campuses that have in the last several years returned to local utilities for service. Based on current projections, electricity prices are expected to increase by 6.2% in 2010-11. Increases in the cost of natural gas, now indexed to the escalated price in crude oil, also affect the cost of electricity as natural gas is the preferred fossil fuel to generate electricity in California and other western states. Most campuses have been managing natural gas costs by developing a portfolio of longer-term natural gas contracts, many with the State pool through the Department of General Services (DGS). DGS has recently revised its forecast, projecting an average increase of about 6.5% in natural gas costs in 2010-11.

In the absence of additional State funding, campuses have been forced to absorb rising purchased utilities costs by cutting other elements of their maintenance budgets — a difficult tradeoff during a time of declining State funding and against the backdrop of historical underfunding of OMP — and by redirecting other program funds. Without restoration of State funding in 2010-11, UC will need to continue to reallocate resources to cover shortfalls in purchased utilities funding.

Capital Renewal and Deferred Maintenance

Nearly 40% of the University's state-eligible space was constructed between 1955 and 1975, as shown in Display XIV-3 (page 105). Over the next decade, many of the electrical, heating, ventilation and air conditioning (HVAC), elevator and conveying, plumbing, and other systems in these buildings will reach the end of their useful life. As a result, the University's annual capital renewal

needs are expected to increase dramatically over the next decade.

In each of the next five years, UC estimates that its capital renewal needs will be at least $290 million, including approximately $240 million for building systems and $50 million for campus infrastructure. This annual investment is needed for the normal replacement and renewal of building systems and components. Replacement and renewal cycles may occur several times during the life of a building. It should be emphasized that funding for the systematic replacement of building systems and infrastructure is currently not included in either the operating or capital budgets (though such funding is provided for in the University's five-year capital plan). Moreover, projected capital renewal costs do not include the backlog of deferred maintenance. It is estimated that in each of the next five years, close to $100 million is needed to address critical deferred maintenance across the system. The backlog will continue to grow as long as basic OMP is underfunded, thus shortening the useful life of building systems, and no provision is made for systematic investment in capital renewal.

The estimates of funding needs for capital renewal and deferred maintenance are based on a budget model developed by the University in 1998. The model includes a detailed inventory of all State-maintained facilities at each campus and breaks down infrastructure and buildings into systems that need to be renewed on a predictable basis and have life cycles between 15 and 50 years. These systems include components such as roofs, fire alarm systems, heating and ventilation systems, central plant chillers, and underground utility cabling. The model assumes standard life cycles and costs for renewing each system, and from these elements develops a profile for each building and infrastructure system, projecting the renewal date and cost for a 50-year period. The model also estimates the deferred maintenance backlog by tracking those systems that have deteriorated to the point that they need major repair, replacement, or renewal to stop deterioration and reverse increases in maintenance costs required to keep the systems operating.

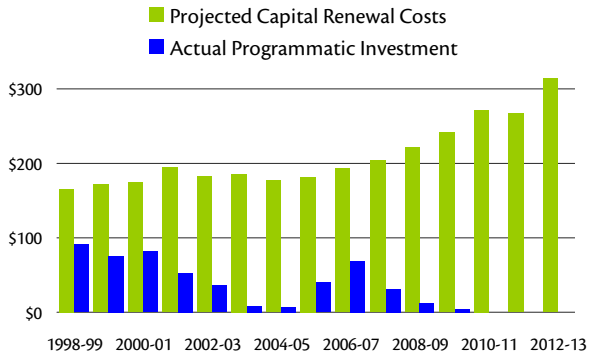
Funding for capital renewal and deferred maintenance has not been stable or predictable since the mid-1990s. Before 1994-95, the State provided the University with nearly $20 million annually in permanent deferred maintenance funding. While not sufficient to meet the University's deferred maintenance needs, it was a reliable and predictable source of funding that could be used for the most critical projects. From 1994-95 through 1997-98, annual funding for deferred maintenance ranged from $8 million to $25 million per year, provided through a variety of one-time, bond, and permanent funds.

Recognizing the University's growing deferred maintenance backlog and the lack of regular and adequate capital renewal funding, the Regents approved a new funding approach in 1998 for capital renewal and deferred maintenance that provided significant levels of funding for the next several years. Funding was provided by issuing 15-year bonds, to be repaid by using a portion of the increase each year in UC General Funds. Bond funding was provided for four years, supplemented by permanent and one-time General Fund allocations. Between 1998-99 and 2001-02, $289 million was provided to address the most urgent deferred maintenance and capital renewal problems.

In 2002-03, the systemwide long-term external financing program for deferred maintenance and capital renewal was suspended because University funds used to support external financing had to be redirected to offset State funding cuts. In addition, the final Budget Act for 2002-03 included a one-time cut of $29 million related to core needs, including a cut of the remaining $7.1 million for deferred maintenance that had been available

DISPLAY XIV-7: PROJECTED NEED AND ACTUAL INVESTMENT IN CAPITAL RENEWAL
(DOLLARS IN MILLIONS)

Programmatic investment in capital renewal has declined while the need to invest in renewal of the University's growing inventory of aging facilities increases



on a permanent basis since 1999-00. Display XIV-7 provides a recent history of annual programmatic funding, including University financing and permanent and one-time State funding, and tracks that funding against projected annual capital renewal needs. This graph does not include UC's deferred maintenance backlog.

In the absence of State and other funding, the University has continued to use its capital outlay program to address some of the highest capital renewal, deferred maintenance, and seismic priorities while still meeting new growth.

During the seven-years from 2002-03 to 2009-10, a number of campuses have pledged a portion of their UC General Fund income to finance long-term debt to fund urgent capital renewal and deferred maintenance work, generating $211 million in bond funding for this purpose. This program is continuing in 2010-11, with campuses participating to the extent that it is financially feasible for them to do so.

The University's deferred maintenance problem cannot be eliminated until ongoing building maintenance is adequately supported and the University secures predictable ongoing funding to invest in capital renewal.

As also explained in the companion to this document, *2009-15 State and Non-State Capital Improvement Program*, the University has a strategic plan to increase the percentage of State capital funding for capital renewal of existing facilities. With considerable uncertainty over the availability of State bonds, it is unclear how much of the proposed capital renewal work will ultimately be funded. As the State's fiscal condition improves, the University intends to seek additional funding to help meet its substantial ongoing capital renewal needs and manage its large deferred maintenance backlog.

"A university education is one of the most important investments anyone can make in a lifetime. A UC degree will open doors."

—Patrick J. Lenz
University of California
Vice President for Budget

STUDENT FEES

Revenue from student fees is a major source of funding for the University's core educational program, providing approximately $1.95 billion[1] in 2008-09 to supplement State funding and other sources and help support basic operations.

Throughout the University's history, reductions in State support of higher education in California have jeopardized UC's commitment to affordability, an impact that is recognized in The University of California Student Fee Policy established by the Regents in 1994. The policy also specifically authorizes the use of Educational Fee revenue for general support of the University, including costs related to instruction; as discussed in the *Sources of University Funds* chapter, students now pay approximately 40% of the cost of education. Over the past 19 years, the State's inflation-adjusted contribution per UC student has declined by more than 50%; fee levels have been increased to help backfill reductions in State funding but have not made up the entire loss. Unfortunately, in a period of declining State support, student fee increases have been and continue to be necessary if UC is to retain faculty, maintain course offerings, and preserve quality, as well as preserve its mission to provide access to the State's most talented students. In light of the University's current funding shortfall, at their November 2009 meeting the Regents will be asked to approve mid-year 2009-10 increases in the Educational Fee and additional Educational Fee increases for 2010-11 (see box below). Combined, these fee increases will generate $505.1 million, of which approximately $175.1 million would be set aside for financial aid purposes.

Students at the University of California pay five different types of fees[2]:

- The **Educational Fee,** a mandatory systemwide fee assessed to all registered students providing general support for the University's budget;

2009-10 AND 2010-11 PROPOSED FEE ACTIONS

Due to the University's budget shortfall, at the Board's November 2009 meeting the Regents are being asked to approve:

- A mid-year increase in mandatory systemwide fees of 15% for undergraduate and graduate professional students and 2.6% for graduate academic students for 2009-10, which would be effective for winter quarter/spring semester;
- For 2010-11, an additional increase in mandatory systemwide fees of 15% for all students; and
- Increases in Professional Degree Fees for 2010-11 generally ranging from 7% to 22% (although one school is proposing a 65% increase), depending on the campus and program.

A proposal to establish differential fees by discipline for upper division undergraduates has been postponed and will be considered by the UC Commission on the Future.

[1] In addition to systemwide mandatory fees and professional school fees, this figure includes nonresident tuition, but excludes fees charged at the campus level and UC Extension fees.

[2] Although counted as students, medical and other health sciences residents are not charged student fees.

DISPLAY XV-1: 2009-10 STUDENT FEE LEVELS (BEFORE MID-YEAR INCREASES)[3]

Registration Fee		$900
Educational Fee		
Undergraduate	Residents	$6,888
	Nonresidents	$7,536
Graduate Academic	Residents	$7,836
	Nonresidents	$8,178
Graduate Professional		$6,822 - $8,178
Professional Fees (vary by program)		$4,000 - $25,675
Nonresident Tuition		
Undergraduate		$22,021
Graduate Academic		$14,694
Professional		$12,245
Campus-based Fees		
Undergraduate		$478 - $1,570
Graduate[4]		$1,922 - $3,365

- **Professional School Fees**, paid by students enrolled in a number of professional degree programs to support instruction and specifically to sustain and enhance program quality;
- **Nonresident Tuition,** charged to nonresident students in addition to mandatory fees and any applicable professional school fees, in lieu of State support for the cost of education; and
- **Fees Charged at the Campus Level**, which vary across campuses and by student level and fund a variety of student-related expenses not supported by other fees.

Amidst years of fee increases, the University's ongoing commitment of a portion of student fee revenue to financial aid, discussed in the *Student Financial Aid* chapter of this document, has helped maintain the affordability of a UC education. At the undergraduate level, 28% of all fee revenue is used for student financial aid primarily to ensure that the University remains financially accessible so that costs are not a barrier for academically eligible students in seeking and obtaining a UC degree.

In May 2009, the Regents implemented a 10% increase in the Educational Fee and a 4.2% increase in the Registration Fee for 2009-10. A portion of the total revenue augments the University's student aid programs: 33% of new fee revenue from undergraduate and professional degree students and 50% of new fee revenue from graduate academic students is being set aside for financial aid purposes. Revenue from the increase in the Educational Fee is being used to help fund the University's operating budget; and as noted earlier, at their November 2009 meeting the Regents are also being asked to approve mid-year 2009-10 increases in the Educational Fee. The revenue from the increase in the Registration Fee is helping address mandatory cost increases for student support services funded from the Registration Fee, including student mental health. In 2009-10, increases in professional school fees varied by program and campus from 0% up to 25%. Nonresident tuition for undergraduates increased by 10% in 2009-10, while nonresident tuition for graduate academic and professional students did not increase. The total revenue generated by student fees in 2008-09 is shown in Display XV-2.

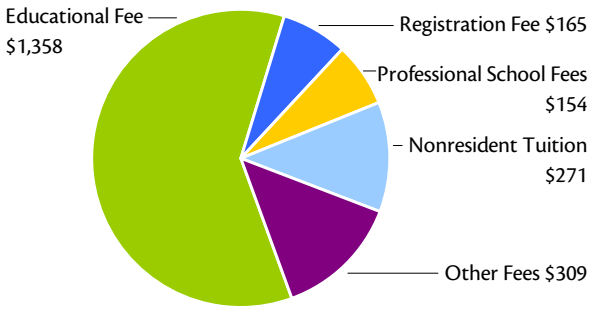
To date, UC fees have remained competitive with those of the University's four public comparison institutions for resident undergraduates and resident graduate academic students. In 2009-10, the University's average fees for California resident undergraduate and graduate students remain below the average of tuition and fees at the University's comparison institutions. This will continue to be the case if proposed mid-year fee increases are implemented for 2009-10. However, it is expected that with the additional fee increase proposed for 2010-11, UC fees would exceed the average of the four public comparison institutions for resident undergraduates.

[3] Fee levels shown were approved by the Regents in May 2009. See Displays XV-3 and XV-6 through XV-10 for proposed 2009-10 and 2010-11 fee levels.

[4] Campus-based fee levels for graduate students include a waivable health insurance fee.

DISPLAY XV-2: 2008-09 STUDENT FEE REVENUE
(DOLLARS IN MILLIONS)

In 2008-09, student fees generated $1.95 billion to support the University's operating budget as well as student financial aid. Campus-based fees totaling $309 million support specific programs outside the core budget, such as student government and transportation.



Types of Fees

Educational Fee

The Educational Fee, first established in 1970 and charged to all registered students, provides general support for the University's operating budget, including costs related to general campus and health sciences faculty and instructional support; libraries and other academic support; student services; institutional support; and operation and maintenance of plant. Educational Fee revenue is also used to provide student financial support. In 2008-09, the Educational Fee generated $1.358 billion for University operations.

The Regents set Educational Fee levels annually as described in the 1994 Student Fee Policy.[5] The policy directs the President of the University to recommend the annual Educational Fee levels to the Regents after taking the following factors into consideration: 1) the resources necessary to maintain access under the Master Plan, to sustain academic quality, and to achieve the University's overall mission; 2) the full cost of attending the University; 3) the amount of support available from different sources to assist needy students; 4) overall State General Fund support for the University; and 5) the full cost of attendance at comparable public institutions.

Educational Fee levels vary by student level, residency, and program. As approved by the Regents in May 2009, in 2009-10 Educational Fee levels range from $6,822 to $8,178.

Questions have been raised about whether Educational Fee increases are being implemented to allow the University to borrow more money for capital projects. Under the 1994 Student Fee Policy, Educational Fees are limited to the general support of UC's operating budget and cannot be used for capital expenditures. Fee increases have been needed primarily to offset reductions in State support – in fact, every fee increase since 1990-91, with one exception (in 2007-08), has been levied to make up for inadequate State funding.

Registration Fee

Also charged to all registered students, revenue from the Registration Fee funds services that are necessary to students, but not part of the University's programs of instruction, research, or

FEES VS. TUITION

The State and UC have long held the position that State support for the University's instructional mission enabled the University to avoid charging "tuition." This view was enshrined in the 1960 Master Plan. Historically, the University established modest "fees" for specific, limited purposes that supplemented the instructional mission.

Since the fiscal crisis of the 1990s, however, the University has increased fee levels significantly and expanded the uses of student fee revenue to include instruction and instructional support activities. While the University has not formally declared that it now charges tuition for California residents, several of the University's fees are equivalent to tuition charged by other universities. These include the Educational Fee and professional school fees.

Due to complications arising in the implementation of federal financial assistance programs for students, the University has begun clarifying the definitions of its Educational Fee and professional school fees as equivalent to tuition.

[5] The University of California Student Fee Policy is available at www.universityofcalifornia.edu/regents/policies/6069.html.

public service. In 2008-09, the Registration Fee generated $165 million. The majority of these funds are spent on student services, including counseling and career guidance, cultural and social activities, and student health services. In addition, some Registration Fee revenue is used for capital improvements that provide extracurricular benefits for students. As with the Educational Fee, the Regents set Registration Fee levels annually in accordance with the 1994 Student Fee Policy. In 2009-10, the Registration Fee is $900 for all students.

Chancellors are authorized to determine specific allocations of Registration Fee income on their campuses, within applicable University policies and guidelines. Each campus has a Registration Fee Committee, which includes a majority of student members, to advise the Chancellor on pertinent issues. As described in the *Student Services* chapter of this document, in 2007-08 and 2008-09 the University increased the Registration Fee level in part to provide additional funds for the expansion of student mental health services.

In 2009-10, a systemwide Registration Fee Task Force will give careful consideration to issues related to the Registration Fee, including the policy governing the fee and the use of fee funds, and make recommendations to the President for changes to policy and practice. Members of the Task Force include executive vice chancellors, student affairs representatives, planning and budget representatives, student representatives, and faculty representatives from throughout UC.

Professional School Fees

Professional school fees were established in 1994-95[6] to allow UC's professional schools to offset reductions in State support and maintain program quality. More recently, the Compact calls for the University to develop a long-term plan for increasing professional school fees, and states that revenue from these fees will remain with the University and not be used to offset reductions in State support.

In 2009-10, these fees are charged to students enrolled in graduate professional degree programs in business; dentistry; international relations and Pacific studies; law; medicine; nursing; optometry; pharmacy; public health; public policy; theater, film, and television; and veterinary medicine. Charged in addition to mandatory student fees and, if applicable, nonresident tuition, professional school fees range from $4,000 to $25,675 depending on the program, campus, and student residency. In 2008-09, these fees generated $154 million. For 2010-11, the University is proposing to establish professional degree fees for programs in architecture, environmental design, information, social welfare, and urban planning on selected campuses.

Historically many of UC's professional schools have held a place of prominence in the nation, promising a top-quality education for a reasonable price. Budget cuts have devastated the resources available to the professional schools to such a degree that the schools are extremely concerned about their ability to recruit and retain excellent faculty, provide an outstanding curriculum, and attract high-caliber students. New revenue generated from professional school fee increases is one of the ways to regain the excellence threatened by budget cuts. Fee increases since 2005-06 have provided new revenue for the schools to cover salaries and other necessary costs. However, the new revenue has not been sufficient to restore lost State support. As a result, professional school budgets remain severely strained and the University's professional schools are in danger of losing prominence among their peers.

[6] The Regents' Policy on Fees for Selected Professional School Students is available at www.universityofcalifornia.edu/regents/policies/6088.html.

The Regents' Policy on Fees for Selected Professional School Students specifies that professional school fees will be approved by the Regents in the context of multi-year plans that advance the mission and academic plans of each professional school program. Multi-year planning with regard to fees for professional degree students is a vital and fiscally prudent strategy that:

- provides a more stable planning environment for the professional schools;
- allows the schools to consider and act on long-term investment needs such as new faculty positions, facility needs, and financial aid program development;
- provides each program with the opportunity to comprehensively analyze their program needs, the costs to address those needs, and the revenue available to support those needs;
- allows each program to examine its competitiveness with other institutions on a number of measures, including the "sticker price" of attendance, its financial aid programs and their impact on the net cost to students, and other indicators of national competitiveness of the program; and
- helps inform decision making by clearly identifying each degree program's goals and objectives and the steps that are needed to achieve them.

The Regents' policy also includes specific conditions for ensuring that the University's commitment to access, affordability, diversity, and students' public service career decisions are not adversely affected by increases in fees for professional degree students.

As noted earlier, professional school fee increases for 2009-10 varied by program but ranged between 0% and 25%. Half of the degree programs determined that within their current marketplace, annual increases in the professional degree fees of 7% were sufficient to meet their program goals and objectives; selected law and business programs were at the higher end of the range. These fee increases were approved in the context of the programs' multi-year plans and will enable programs to act on investment needs such as new faculty positions, facility needs, and financial aid program development.

Nonresident Tuition

In addition to all other applicable fees, UC students who do not qualify as California residents are required to pay nonresident tuition, consistent with the State's policy not to provide support for nonresident students. Enrollment of more than 17,000 nonresident students, including both international students and domestic students from other states, generated $271 million in 2008-09. Nonresident tuition levels in 2009-10 vary by student level and program: $22,021 for undergraduate students, $14,694 for graduate academic students, and $12,245 for professional students. Doctoral students advanced to candidacy are not charged nonresident tuition while enrolled within normative time to degree. The California Education Code provides direction to UC about setting nonresident tuition levels.

STATE LAW REGARDING NONRESIDENT TUITION

Section 68052 of the California Education Code directs California's public institutions of higher education to address the following when establishing nonresident student tuition levels:

- Nonresident tuition methodologies used by California's public postsecondary education segments should consider 1) the total nonresident charges imposed by each of their public comparison institutions, and 2) the full average cost of instruction;
- Nonresident tuition plus required fees should not fall below the marginal cost of instruction;
- Increases in the level of nonresident tuition should be gradual, moderate, and predictable; and
- In the event that State revenues and expenditures are substantially imbalanced due to factors unforeseen by the Governor and the Legislature, nonresident tuition will not be subject to the law's provisions.

Typically it is very difficult for undergraduate students to be reclassified from nonresident to resident status, as often both students and their families must demonstrate establishment of permanent residence in California, determined by meeting a variety of criteria specified in State law. Reclassification is more common at the graduate level; this is not the case with international students, however, who cannot establish California residency. Thus undergraduate students and international graduate students typically pay nonresident tuition each term that they attend UC, while domestic graduate students typically pay nonresident tuition for only one year.

Prior to 2007-08, nonresident tuition revenue was collected centrally and distributed to the campuses along with other General Fund revenue to cover costs associated with faculty and staff salaries, other operating costs, and financial aid. As of 2007-08, each campus retains the nonresident tuition revenue that is generated at that campus. With the exception of covering financial aid costs, campuses now have the flexibility to determine how the nonresident tuition revenue will be spent, taking into account their overall expenditure needs.

A significant concern associated with nonresident tuition is the University's ability to attract high quality nonresident undergraduate and graduate students. For several years during this decade, the University fell short of its goals for nonresident enrollment and tuition revenue. Moreover, concern over the inadequacy of graduate student support has been the underlying reason that UC has not increased nonresident tuition levels for graduate academic and professional students since 2004-05. The University annually monitors the numbers of nonresidents applying to and enrolling at UC. Future increases in nonresident tuition will be carefully considered, given the potential impact on nonresident enrollment.

Regarding nonresident tuition for academic graduate students, the faculty has expressed interest in eliminating this charge. State policy constrains the extent to which the University can reduce nonresident tuition levels, however, and budgetary issues must be considered as well. Nevertheless, the University continues to take steps to help address the impact of nonresident tuition on its ability to fund competitive awards. By forgoing increases in graduate nonresident tuition over the past few years, the University has effectively reduced the need for graduate awards to cover nonresident tuition. Continuing to do so will further ease the pressure on the fund sources that currently provide such coverage.

Fees Charged at the Campus Level

Campuses may also charge fees for specific needs related to instruction or campus life and safety.

Campus-based Fees. Campus-based fees cover a variety of student-related expenses that are not supported by the Educational Fee or the University Registration Fee. These fees help fund programs such as student government, the construction, renovation, and repair of sports and recreational facilities, and other items such as transit.[7] The number and dollar amounts of campus-based fees vary across campuses and between graduate and undergraduate students. Campus-based fees for 2009-10 range from $478 at Los Angeles (undergraduates) to $3,365 at Santa Cruz (graduates); in 2009-10, average campus-based fees are $938 for undergraduates and $2,505 for graduates. Generally, students must vote to establish or increase campus-based fees, but these fees can also be set by Chancellors (with the concurrence of the Regents) if a fee is necessary to help ensure the safety of students, e.g., to pay for the seismic retrofit of a building funded by student fees. In recent years, a return-to-aid component

[7] The University's Policy on Compulsory Campus-Based Student Fees is available at www.ucop.edu/ucophome/coordrev/ucpolicies/aos/uc80.html.

has been built into newly established campus-based fees. Displays XV-7 through XV-10 show average campus-based fee levels over time by type and level of student.

Course Materials and Services Fees. Other fees charged at the campus level include Course Materials and Services Fees; these fees cover costs specific to a course, such as materials to be used in a studio arts class or travel costs for an archeological dig. The fees are set by the Chancellors but may not exceed the actual cost per student of the materials and services provided for the course in question. In 2007-08, these fees generated more than $15.7 million at UC's ten campuses. For 2009-10, these fees may also cover information technology materials and services as they relate to a specific course.

UC and Comparison Institution Fees

As an overall measure of the University's place in the market, the University annually monitors fee levels relative to those charged by its four public comparison institutions. As discussed in the *Student Financial Aid* chapter of this document, the University also monitors the net cost of attendance — i.e., total charges for fees and living expenses, net of financial aid — compared to net costs at these public institutions. The net cost of attendance provides a more complete representation of the actual financial impact of student fee levels and other costs. In addition, to facilitate recruitment of high quality academic doctoral students, the University conducts surveys assessing the competitiveness of its graduate student financial aid offers relative to those of other doctoral institutions.

Despite the significant fee increases implemented during this decade, at the beginning of 2009-10 UC's average fees for *resident undergraduate* students (excluding health insurance fees) are $1,700 less than the average fees charged at the University's four public comparison institutions, as shown in Display XV-3. This difference will decrease to $1,100 if the Regents approve mid-year fee increases for 2009-10; however, taking into account UC's mid-year fee increases, currently only one of the four public comparison institutions charges resident undergraduate students lower fees than UC. Similarly, University fees for *resident graduate* academic students continue to be below (by $1,900 at the beginning of the year, by $1,800 when mid-year fee increases are approved) the average fees charged at the University's four public comparison institutions. Only one of these institutions charges lower fees to graduate academic students than UC.

The comparisons for *nonresident* undergraduate and graduate academic students are a different matter. In the past, the University's fees were among the lowest charges of any of UC's public salary comparison institutions. Since 2005-06, however, the University's fees for nonresident undergraduate and graduate students have exceeded the average fees at the University's comparison institutions. Currently, UC's fees

DISPLAY XV-3: 2009-10 UNIVERSITY OF CALIFORNIA AND PUBLIC COMPARISON INSTITUTION FEES

The University's average fees for 2009-10 for California resident undergraduate and graduate academic students remain below the average of tuition and fees at the University's four public comparison institutions, even taking into account mid-year fee increases the Regents are expected to approve in November 2009.

	Undergraduate		Graduate	
	Resident	Nonresident	Resident	Nonresident
Public Comparison Institutions				
SUNY Buffalo	$7,013	$14,913	$9,883	$14,763
Illinois	$12,508	$26,650	$12,514	$25,780
Michigan	$12,400	$36,163	$17,475	$35,133
Virginia	$9,872	$31,872	$12,635	$22,635
Average	$10,448	$27,400	$13,127	$24,578
UC	**$8,726**	**$31,395**	**$11,241**	**$26,277**
UC + Proposed Increases (half-year)	**$9,311**	**$32,028**	**$11,352**	**$26,394**

Note: Comparison institution figures include tuition and required fees as reported by the Association of American Universities Data Exchange (AAUDE). UC figures include mandatory systemwide fees and campus-based fees, nonresident tuition for nonresident students, and a waivable health insurance fee for UC graduate students.

are higher than the average fees for the comparators by almost $4,000 for nonresident undergraduates ($4,600 after mid-year fee increases are approved) and by $1,700 for nonresident graduate academic students ($1,800 after mid-year fee increases are approved). The University's tuition and fees for nonresident undergraduate students represent the mid-point among UC's public salary comparison institutions at the beginning of 2009-10, although this will no longer be the case when mid-year fee increases are approved. Making the University more competitive for nonresident graduate academic students is a serious concern, as mentioned above and discussed further in the *Student Financial Aid* chapter of this document.

As noted earlier, it is expected that in 2010-11 UC's fees will exceed the average of its four public comparison institutions for resident undergraduates. In 2010-11, UC's fees are expected to remain significantly lower than those of its private comparison institutions (Harvard, MIT, Stanford, and Yale).

Professional School Fees. For 2009-10, UC fees for most resident professional students fall within the range of the resident tuition and fees charged by comparable public institutions. UC professional degree programs recruit students nationally and internationally as well as from within California, and they compete with private as well as public institutions of comparable quality. These factors are among those taken into consideration by the programs as they develop their three-year plans for professional degree fees.

DISPLAY XV-4: RECENT HISTORY OF UNIVERSITY OF CALIFORNIA STUDENT FEES

1990-91 – 1994-95	Fees increase by 157% over a five-year period in response to significant State funding reductions.
1994-95	The Regents approve a new Student Fee Policy, the Fee Policy for Selected Professional School Students, and the Financial Aid Policy.
1995-96 – 2001-02	Due to strong support from the State, mandatory systemwide fee levels for resident students do not increase for seven consecutive years.
2002-03 – 2005-06	A series of fee increases over four years results from the State's deteriorating fiscal situation. Fees double for resident undergraduate and graduate academic students. Increases for nonresident and professional students are even higher.
2006-07	The State provides supplementary funding to avoid student fee increases.
2007-08 – 2008-09	Mandatory systemwide fees charged to undergraduate and graduate resident students increase by about 8% in 2007-08 and 7.4% in 2008-09. Professional school fees increase by 7-12% in 2007-08 and 5-20% in 2008-09, varying by program.
2009-10 – 2010-11	In May 2009, the Regents approved an increase of 9.3% in mandatory student fees for undergraduate and graduate resident students for 2009-10. UC further proposes 2009-10 mid-year increases in mandatory fees of 15% for undergraduate and graduate professional students and 2.6% for graduate academic students, effective January 2010. For 2010-11, UC also proposes to increase mandatory student fees for all students by an additional 15% for 2010-11. Professional school fees increased from 0% to 25% for 2009-10; proposals for increases in 2010-11 are generally between 7% and 20%.

History of Student Fees

Student fees were first charged by the University in the 1920s with the establishment of an incidental fee. In 1960, the California Master Plan for Higher Education affirmed that UC should remain tuition-free (a widely held view at the time), but allowed that fees could be charged for costs not related to instruction. In the late 1960s, the incidental fee was renamed the Registration Fee, and revenue was used to support student services and financial aid. The Educational Fee was established in 1970-71 and was originally intended to fund capital outlay. In 1994, the University of California Student Fee Policy established that the Educational Fee may be used for general support

of the University's operating budget. (As noted earlier, UC has begun clarifying the definitions of the Educational Fee and professional school fees as equivalent to tuition charged at other universities.) In addition, a goal of the policy is to maintain the affordability of a high-quality educational experience at the University for low- and middle-income students.

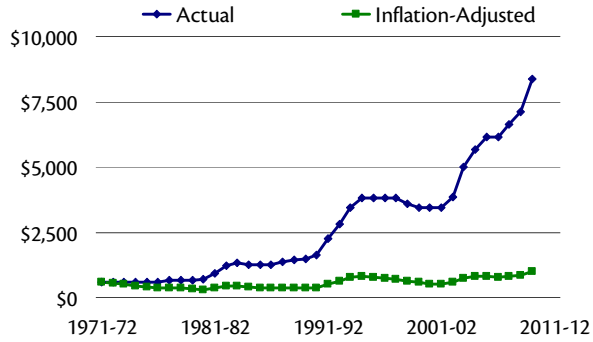
The Higher Education Compact, established in May 2004, includes Governor Schwarzenegger's proposed long-term student fee policy that calls for increases in student fees to be based on the annual increase in California per capita personal income. However, the Compact provides that fiscal circumstances in some years will require greater increases to provide sufficient funding for programs and to preserve quality. In those years, UC may decide, after consultation with the Governor, to increase fees up to 10%. This fee policy is contingent on State resources being provided for the basic budget at the level called for in the Compact and on no further erosion of the University's base budget. It assumes that revenue from student fees will remain with UC, rather than being used to offset to reductions in State support.

Over time, UC's student fee levels have closely tracked the State's economy. In good years, such as during the mid-1980s and the late 1990s, fees were held steady or were reduced. In years of fiscal crisis – during the early 1990s and again during the early 2000s – student fees increased dramatically in response to significant reductions in State funding, as described in Display XV-4.[8] Similarly, the Regents are being asked to approve large fee increases at their November 2009 meeting in response to recent substantial reductions in State support.

As shown in Display XV-5, despite fee increases over the last 35 years, fees did not increase significantly from 1971-72 to 2008-09 when measured in constant dollars.

DISPLAY XV-5: RESIDENT UNDERGRADUATE STUDENT FEES IN REAL AND CONSTANT DOLLARS

Over time, UC's undergraduate student fee levels have closely tracked the State's economy. In good years, fees were held steady or were reduced. In years of fiscal crisis, student fees increased dramatically. Fees have not increased significantly when adjusted based on California per capita personal income.



Kashmiri and Luquetta Lawsuits

As mentioned earlier, a lawsuit against the University, *Kashmiri v. Regents*, has impacted Educational Fee levels for all students. The lawsuit was filed against the University in 2003 by students who had been enrolled in UC's professional degree programs prior to December 16, 2002. The class action suit alleged that the increases in the Fee for Selected Professional School Students that were approved by the Regents for Spring 2003 (and for all subsequent years) violated a contract between the University and students that the professional school fee would not be increased while they were enrolled. Subsequently, the trial court entered an order granting a preliminary injunction against the University, prohibiting the University from collecting the professional school fee increases approved by the Regents for 2004-05 and 2005-06 from students affected by the lawsuit. At the end of 2007-08, the University had lost $22 million in uncollected professional school fee revenue.

[8] A detailed timeline of the evolution of UC student fees can be found at www.ucop.edu/budget.

In March 2006, the trial court entered judgment in favor of plaintiffs in the amount of $33.8 million, and the judgment was made final in January 2008. Currently, a temporary Educational Fee surcharge of $60 is being assessed to all students until the lost revenue is fully replaced and the judgment is fully paid, estimated to occur in four to five years.

A second lawsuit, *Luquetta v. Regents,* was filed in 2005 and seeks to extend the professional fee claim to professional students who enrolled during the 2003-04 academic year. The financial impact of this lawsuit, should the trial court rule in favor of the plaintiffs, is uncertain but would exceed $20 million.

DISPLAY XV-6: UC MANDATORY STUDENT FEE LEVELS

		Educational Fee					
	Registration Fee	Undergraduate		Graduate Academic		Graduate Professional[1]	Surcharge[2]
		Resident	Nonresident	Resident	Nonresident		
1975-76	300	300	300	360	360	360	
1976-77	300	300	300	360	360	360	
1977-78	357	300	300	360	360	360	
1978-79	371	300	300	360	360	360	
1979-80	385	300	300	360	360	360	
1980-81	419	300	300	360	360	360	
1981-82	463	475	475	535	535	535	
1982-83	510	725	725	785	785	785	
1983-84	523	792	792	852	852	852	
1984-85	523	722	722	782	782	782	
1985-86	523	722	722	782	782	782	
1986-87	523	722	722	782	782	782	
1987-88	570	804	804	804	804	804	
1988-89	594	840	840	840	840	840	
1989-90	612	864	864	864	864	864	
1990-91	673	951	951	951	951	951	
1991-92	693	1,581	1,581	1,581	1,581	1,581	
1992-93	693	2,131	2,131	2,131	2,131	2,131	
1993-94	693	2,761	2,761	2,761	2,761	2,761	
1994-95	713	3,086	3,086	3,086	3,086	3,086	
1995-96	713	3,086	3,086	3,086	3,086	3,086	
1996-97	713	3,086	3,086	3,086	3,086	3,086	
1997-98	713	3,086	3,086	3,086	3,086	3,086	
1998-99	713	2,896	3,086	3,086	3,086	3,086	
1999-00	713	2,716	3,086	2,896	3,086	3,086	
2000-01	713	2,716	3,086	2,896	3,086	3,086	
2001-02	713	2,716	3,086	2,896	3,086	3,086	
2002-03[3]	713	3,121	3,491	3,301	3,491	3,491	
2003-04	713	4,271	4,751	4,506	4,751	4,751	
2004-05	713	4,971	5,451	5,556	5,801	4,751	
2005-06	735	5,406	5,922	6,162	6,429	5,357	700
2006-07	735	5,406	5,922	6,162	6,429	5,357	1,050
2007-08	786	5,790	6,342	6,594	6,888	5,736	60
2008-09	864	6,202	6,789	7,062	7,374	6,144	60
2009-10[4]	900	6,828	7,476	7,776	8,118	6,762	60
2009-10[5]	900	7,998	8,742	7,998	8,352	7,920	60
2010-11[6]	900	9,342	10,200	9,342	9,750	9,252	60

[1] Charged to resident and nonresident professional degree students. Excludes students paying International Relations and Pacific Studies, Physical Therapy, Preventive Veterinary Medicine, Public Health, and Public Policy professional degree fees. In 2010-11, also excludes students paying Architecture, Environmental Design, Information Management, and Social Welfare professional degree fees.

[2] Before 2007-08, surcharges were only charged to professional school students.

[3] Mid-year fee increases were applied to spring academic term and are annualized here.

[4] As approved by the Regents in May 2009.

[5] As proposed to the Regents in September 2009 (annualized) and expected to be approved in November 2009.

[6] As proposed to the Regents in September 2009 and expected to be approved in November 2009.

DISPLAY XV-7: UC AVERAGE ANNUAL STUDENT FEES FOR RESIDENT UNDERGRADUATE STUDENTS

	Mandatory Fees	Increase	Campus-based Fees[1]	Total Charges	Total Increase
1975-76	600	0.0%	47	647	0.3%
1976-77	600	0.0%	48	648	0.1%
1977-78	657	9.5%	49	706	9.0%
1978-79	671	2.1%	49	720	1.9%
1979-80	685	2.1%	51	736	2.2%
1980-81	719	5.0%	57	776	5.4%
1981-82	938	30.5%	60	998	28.6%
1982-83	1,235	31.7%	65	1,300	30.3%
1983-84	1,315	6.5%	72	1,387	6.7%
1984-85	1,245	-5.3%	79	1,324	-4.5%
1985-86	1,245	0.0%	81	1,326	0.2%
1986-87	1,245	0.0%	100	1,345	1.4%
1987-88	1,374	10.4%	118	1,492	10.9%
1988-89	1,434	4.4%	120	1,554	4.2%
1989-90	1,476	2.9%	158	1,634	5.1%
1990-91	1,624	10.0%	196	1,820	11.4%
1991-92	2,274	40.0%	212	2,486	36.6%
1992-93	2,824	24.2%	220	3,044	22.4%
1993-94	3,454	22.3%	273	3,727	22.4%
1994-95	3,799	10.0%	312	4,111	10.3%
1995-96	3,799	0.0%	340	4,139	0.7%
1996-97	3,799	0.0%	367	4,166	0.7%
1997-98	3,799	0.0%	413	4,212	1.1%
1998-99	3,609	-5.0%	428	4,037	-4.2%
1999-00	3,429	-5.0%	474	3,903	-3.3%
2000-01	3,429	0.0%	535	3,964	1.6%
2001-02	3,429	0.0%	430	3,859	-2.6%
2002-03[2]	3,834	11.8%	453	4,287	11.1%
2003-04	4,984	30.0%	546	5,530	29.0%
2004-05	5,684	14.0%	628	6,312	14.1%
2005-06	6,141	8.0%	661	6,802	7.8%
2006-07	6,141	0.0%	711	6,852	0.7%
2007-08	6,636	8.1%	881	7,517	9.7%
2008-09	7,126	7.4%	901	8,027	6.8%
2009-10[3]	7,788	9.3%	938	8,726	8.7%
2009-10[4]	8,958	15.0%	938	9,896	13.4%
2010-11[5]	10,302	15.0%	985	11,287	14.1%

[1] Beginning in 1998-99, campus-based fees are calculated on a weighted basis using enrollments.

[2] Mid-year fee increases were applied to spring academic term and are annualized here.

[3] As approved by the Regents in May 2009.

[4] As proposed to the Regents in September 2009 (annualized) and expected to be approved in November 2009.

[5] As proposed to the Regents in September 2009 and expected to be approved in November 2009. Assumes a 5% increase in campus-based fees.

DISPLAY XV-8: UC AVERAGE ANNUAL STUDENT FEES FOR NONRESIDENT UNDERGRADUATE STUDENTS

	Mandatory Fees	Increase	Campus-based Fees[1]	Nonresident Tuition	Increase	Total Charges	Total Increase
1975-76	600	0.0%	47	1,500	0.0%	2,147	0.1%
1976-77	600	0.0%	48	1,905	27.0%	2,553	18.9%
1977-78	657	9.5%	49	1,905	0.0%	2,611	2.3%
1978-79	671	2.1%	49	1,905	0.0%	2,625	0.5%
1979-80	685	2.1%	51	2,400	26.0%	3,136	19.5%
1980-81	719	5.0%	57	2,400	0.0%	3,176	1.3%
1981-82	938	30.5%	60	2,880	20.0%	3,878	22.1%
1982-83	1,235	31.7%	65	3,150	9.4%	4,450	14.7%
1983-84	1,315	6.5%	72	3,360	6.7%	4,747	6.7%
1984-85	1,245	-5.3%	79	3,564	6.1%	4,888	3.0%
1985-86	1,245	0.0%	81	3,816	7.1%	5,142	5.2%
1986-87	1,245	0.0%	100	4,086	7.1%	5,431	5.6%
1987-88	1,374	10.4%	118	4,290	5.0%	5,782	6.5%
1988-89	1,434	4.4%	120	4,806	12.0%	6,360	10.0%
1989-90	1,476	2.9%	158	5,799	20.7%	7,433	16.9%
1990-91	1,624	10.0%	196	6,416	10.6%	8,236	10.8%
1991-92	2,274	40.0%	212	7,699	20.0%	10,185	23.7%
1992-93	2,824	24.2%	220	7,699	0.0%	10,743	5.5%
1993-94	3,454	22.3%	273	7,699	0.0%	11,426	6.4%
1994-95	3,799	10.0%	312	7,699	0.0%	11,810	3.4%
1995-96	3,799	0.0%	340	7,699	0.0%	11,838	0.2%
1996-97	3,799	0.0%	367	8,394	9.0%	12,560	6.1%
1997-98	3,799	0.0%	413	8,984	7.0%	13,196	5.1%
1998-99	3,799	0.0%	428	9,384	4.5%	13,611	3.1%
1999-00	3,799	0.0%	474	9,804	4.5%	14,077	3.4%
2000-01	3,799	0.0%	535	10,244	4.5%	14,578	3.6%
2001-02	3,799	0.0%	430	10,704	4.5%	14,933	2.4%
2002-03[2]	4,204	10.7%	453	12,480	16.6%	17,137	14.8%
2003-04	5,464	30.0%	546	13,730	10.0%	19,740	15.2%
2004-05	6,164	12.8%	628	16,476	20.0%	23,268	17.9%
2005-06	6,657	8.0%	661	17,304	5.0%	24,622	5.8%
2006-07	6,657	0.0%	711	18,168	5.0%	25,536	3.7%
2007-08	7,188	8.0%	881	19,068	5.0%	27,137	6.3%
2008-09	7,713	7.3%	901	20,021	5.0%	28,635	5.5%
2009-10[3]	8,436	9.4%	938	22,021	10.0%	31,395	9.6%
2009-10[4]	9,702	15.0%	938	22,021	0.0%	32,661	4.0%
2010-11[5]	11,160	15.0%	985	22,021	0.0%	34,166	4.6%

[1] Beginning in 1998-99, campus-based fees are calculated on a weighted basis using enrollments.

[2] Mid-year fee increases were applied to spring academic term and are annualized here.

[3] As approved by the Regents in May 2009.

[4] As proposed to the Regents in September 2009 (annualized) and expected to be approved in November 2009.

[5] As proposed to the Regents in September 2009 and expected to be approved in November 2009. Assumes a 5% increase in campus-based fees.

DISPLAY XV-9: UC AVERAGE ANNUAL STUDENT FEES FOR RESIDENT GRADUATE ACADEMIC STUDENTS

	Mandatory Fees	Increase	Campus -based Fees[1]	Total Charges	Total Increase
1975-76	660	0.0%	34	694	-0.3%
1976-77	660	0.0%	36	696	0.3%
1977-78	717	8.6%	37	754	8.3%
1978-79	731	2.0%	38	769	2.0%
1979-80	745	1.9%	39	784	2.0%
1980-81	779	4.6%	45	824	5.1%
1981-82	998	28.1%	45	1,043	26.6%
1982-83	1,295	29.8%	51	1,346	29.1%
1983-84	1,375	6.2%	58	1,433	6.5%
1984-85	1,305	-5.1%	63	1,368	-4.5%
1985-86	1,305	0.0%	64	1,369	0.1%
1986-87	1,305	0.0%	82	1,387	1.3%
1987-88	1,374	5.3%	100	1,474	6.3%
1988-89	1,434	4.4%	125	1,559	5.8%
1989-90	1,476	2.9%	222	1,698	8.9%
1990-91	1,624	10.0%	482	2,106	24.0%
1991-92	2,274	40.0%	557	2,831	34.4%
1992-93	2,824	24.2%	608	3,432	21.2%
1993-94	3,454	22.3%	703	4,157	21.1%
1994-95	3,799	10.0%	786	4,585	10.3%
1995-96	3,799	0.0%	836	4,635	1.1%
1996-97	3,799	0.0%	868	4,667	0.7%
1997-98	3,799	0.0%	923	4,722	1.2%
1998-99	3,799	0.0%	839	4,638	-1.8%
1999-00	3,609	-5.0%	969	4,578	-1.3%
2000-01	3,609	0.0%	1,138	4,747	3.7%
2001-02	3,609	0.0%	1,305	4,914	3.5%
2002-03[2]	4,014	11.2%	1,327	5,341	8.7%
2003-04	5,219	30.0%	1,624	6,843	28.1%
2004-05	6,269	20.1%	1,606	7,875	15.1%
2005-06	6,897	10.0%	1,811	8,708	10.6%
2006-07	6,897	0.0%	1,973	8,870	1.9%
2007-08	7,440	7.9%	2,281	9,721	9.6%
2008-09	7,986	7.3%	2,367	10,353	6.5%
2009-10[3]	8,736	9.4%	2,505	11,241	8.6%
2009-10[4]	8,958	2.6%	2,505	11,463	2.0%
2010-11[5]	10,302	15.0%	2,630	12,932	12.8%

[1] Beginning in 1998-99, campus-based fees are calculated on a weighted basis using enrollments.

[2] Mid-year fee increases were applied to spring academic term and are annualized here.

[3] As approved by the Regents in May 2009.

[4] As proposed to the Regents in September 2009 (annualized) and expected to be approved in November 2009.

[5] As proposed to the Regents in September 2009 and expected to be approved in November 2009. Assumes a 5% increase in campus-based fees.

DISPLAY XV-10: UC AVERAGE ANNUAL STUDENT FEES FOR NONRESIDENT GRADUATE ACADEMIC STUDENTS

	Mandatory Fees	Increase	Campus-based Fees[1]	Nonresident Tuition	Increase	Total Charges	Total Increase
1975-76	660	0.0%	34	1,500	0.0%	2,194	-0.1%
1976-77	660	0.0%	36	1,905	27.0%	2,601	18.5%
1977-78	717	8.6%	37	1,905	0.0%	2,659	2.2%
1978-79	731	2.0%	38	1,905	0.0%	2,674	0.6%
1979-80	745	1.9%	39	2,400	26.0%	3,184	19.1%
1980-81	779	4.6%	45	2,400	0.0%	3,224	1.3%
1981-82	998	28.1%	45	2,880	20.0%	3,923	21.7%
1982-83	1,294	29.8%	51	3,150	9.4%	4,495	14.6%
1983-84	1,375	6.2%	58	3,360	6.7%	4,793	6.6%
1984-85	1,305	-5.1%	63	3,564	6.1%	4,932	2.9%
1985-86	1,305	0.0%	64	3,816	7.1%	5,185	5.1%
1986-87	1,305	0.0%	82	4,086	7.1%	5,473	5.6%
1987-88	1,374	5.3%	100	4,290	5.0%	5,764	5.3%
1988-89	1,434	4.4%	125	4,806	12.0%	6,365	10.4%
1989-90	1,476	2.9%	222	5,799	20.7%	7,497	17.8%
1990-91	1,624	10.0%	482	6,416	10.6%	8,522	13.7%
1991-92	2,274	40.0%	557	7,699	20.0%	10,530	23.6%
1992-93	2,824	24.2%	608	7,699	0.0%	11,131	5.7%
1993-94	3,454	22.3%	703	7,699	0.0%	11,856	6.5%
1994-95	3,799	10.0%	786	7,699	0.0%	12,284	3.6%
1995-96	3,799	0.0%	836	7,699	0.0%	12,334	0.4%
1996-97	3,799	0.0%	868	8,394	9.0%	13,061	5.9%
1997-98	3,799	0.0%	923	8,984	7.0%	13,706	4.9%
1998-99	3,799	0.0%	839	9,384	4.5%	14,022	2.3%
1999-00	3,799	0.0%	969	9,804	4.5%	14,572	3.9%
2000-01	3,799	0.0%	1,138	10,244	4.5%	15,181	4.2%
2001-02	3,799	0.0%	1,305	10,704	4.5%	15,808	4.1%
2002-03[2]	4,204	10.7%	1,327	11,132	4.0%	16,663	5.4%
2003-04	5,464	30.0%	1,624	12,245	10.0%	19,333	16.0%
2004-05	6,514	19.2%	1,606	14,694	20.0%	22,814	18.0%
2005-06	7,164	10.0%	1,811	14,694	0.0%	23,669	3.7%
2006-07	7,164	0.0%	1,973	14,694	0.0%	23,831	0.7%
2007-08	7,734	8.0%	2,281	14,694	0.0%	24,709	3.7%
2008-09	8,298	7.3%	2,367	14,694	0.0%	25,359	2.6%
2009-10[3]	9.078	9.4%	2,505	14,694	0.0%	26,277	3.6%
2009-10[4]	9,312	2.6%	2,505	14,694	0.0%	26,511	0.9%
2010-11[5]	10,710	15.0%	2,630	14,694	0.0%	28,034	5.7%

[1] Beginning in 1998-99, campus-based fees are calculated on a weighted basis using enrollments.

[2] Mid-year fee increases were applied to spring academic term and are annualized here.

[3] As approved by the Regents in May 2009.

[4] As proposed to the Regents in September 2009 (annualized) and expected to be approved in November 2009.

[5] As proposed to the Regents in September 2009 and expected to be approved in November 2009. Assumes a 5% increase in campus-based fees.

DISPLAY XV-11: TOTAL FEES FOR PROFESSIONAL DEGREE STUDENTS BY PROGRAM AND CAMPUS

In addition to the Professional Degree Fees shown below, professional school students also pay mandatory Universitywide fees and campus-based fees, which are included in the "Total Charges" columns below.

	2009-10 (Actual)				2010-11 (Proposed) (1)			
	Professional Degree Fees (2)		Total Charges		Professional Degree Fees (2)		Total Charges	
	Residents	Nonresidents	Residents	Nonresidents	Residents	Nonresidents	Residents	Nonresidents
Architecture								
Los Angeles	n/a	n/a	n/a	n/a	$8,000	$8,000	$21,736	$36,886
Business								
Berkeley	$25,675	$22,630	$35,894	$45,094	28,820	24,542	41,654	49,621
Davis	18,484	18,484	28,991	41,236	20,332	20,332	33,437	45,682
Irvine	18,678	17,489	29,529	40,585	19,985	18,714	33,326	44,300
Los Angeles	25,161	21,157	35,855	44,096	27,447	23,150	40,894	48,842
Riverside	18,306	18,306	28,435	40,680	19,770	19,770	32,479	44,724
San Diego	19,392	16,040	29,362	38,255	22,378	16,040	34,982	40,889
Dentistry								
Los Angeles	19,353	16,925	30,551	40,368	22,256	19,461	36,630	46,078
San Francisco	19,896	19,896	30,612	42,857	22,880	22,880	36,367	48,612
Environmental Design								
Berkeley	n/a	n/a	n/a	n/a	6,000	6,000	20,172	32,873
Information Management								
Berkeley	n/a	n/a	n/a	n/a	6,000	6,000	20,046	35,196
International Relations & Pacific Studies								
San Diego	4,905	4,723	15,839	28,244	5,248	5,054	19,190	31,697
Law								
Berkeley	25,659	25,659	35,908	48,153	31,355	27,110	44,220	52,220
Davis	23,425	22,126	33,949	44,895	28,599	25,186	41,722	50,554
Irvine	24,784	23,179	35,620	46,260	27,225	25,003	40,551	50,574
Los Angeles	24,784	23,179	35,328	45,968	27,225	25,003	40,522	50,545
Medicine								
Berkeley	15,360	15,360	25,640	37,885	17,531	17,531	30,365	42,610
Davis	16,409	16,409	29,678	41,923	17,531	17,531	30,784	43,029
Irvine	16,409	16,409	29,956	42,201	17,531	17,531	30,948	43,193
Los Angeles	16,409	16,409	26,114	38,359	17,531	17,531	29,990	42,235
Riverside	16,409	16,409	26,601	38,846	17,531	17,531	30,383	42,628
San Diego	16,409	16,409	26,390	38,635	17,531	17,531	30,203	42,448
San Francisco	16,409	16,409	27,129	39,374	17,531	17,531	31,095	43,340
Nursing								
Davis	n/a	n/a	n/a	n/a	4,866	4,866	17,971	32,665
Irvine	4,054	4,054	14,890	27,135	4,866	4,866	18,192	30,437
Los Angeles	4,055	4,055	13,699	25,944	4,866	4,866	19,092	31,337
San Francisco	4,054	4,054	14,695	26,940	4,459	4,459	17,864	30,109
Optometry								
Berkeley	12,018	12,018	22,237	34,482	13,220	13,220	26,054	38,299
Pharmacy								
San Diego	15,395	15,395	25,315	37,560	17,155	17,155	29,913	42,158
San Francisco	15,395	15,395	26,060	38,305	17,155	17,155	30,594	42,839
Physical Therapy								
San Francisco	n/a	n/a	n/a	n/a	11,000	11,000	25,728	38,429
Preventive Veterinary Medicine								
Davis	4,000	4,000	17,595	30,182	4,280	4,280	19,664	32,365
Public Health								
Berkeley	4,859	4,859	16,092	28,679	8,000	8,000	22,118	34,819
Davis	4,859	4,859	17,836	30,423	5,199	5,199	19,642	32,343
Irvine	4,859	4,859	16,709	29,296	5,345	5,345	20,009	32,710
Los Angeles	4,859	4,859	15,517	28,104	5,199	5,199	18,935	31,636
Public Policy								
Berkeley	4,995	4,995	16,228	28,815	5,494	5,494	19,598	32,299
Irvine	n/a	n/a	n/a	n/a	5,199	5,199	19,863	32,564
Los Angeles	4,859	4,859	15,517	28,104	5,199	5,199	24,492	37,193
Social Welfare								
Berkeley	n/a	n/a	n/a	n/a	4,000	4,000	18,163	30,864
Los Angeles	n/a	n/a	n/a	n/a	5,199	5,199	18,935	31,636
Theater, Film, & Television								
Los Angeles	7,231	7,231	16,875	29,120	7,954	7,954	20,352	32,597
Urban Planning								
Los Angeles	n/a	n/a	n/a	n/a	5,199	5,199	18,934	31,635
Veterinary Medicine								
Davis	13,705	13,705	26,466	38,711	14,664	14,664	30,183	42,428

(1) At their November 2009 meeting, The Regents are expected to approve the 2010-11 Professional Degree Fee levels shown here.
(2) For Medicine and Law students, Professional Degree Fee amounts include the $376 Special Fee for Law and Medical students.

"No one should be denied a UC education because of financial resources. UC students receive $2.8 billion in financial aid to enable UC to maintain financial accessibility for undergraduates and financial competitiveness for graduate students."

—Kate Jeffery
University of California
Director of Student Financial Support

STUDENT FINANCIAL AID

Guided by the policy adopted by the Regents in 1994, the University's financial aid program is closely linked to the University's goals of student accessibility and helping the state meet its professional workforce needs.[1] In 2007-08, UC students received $2.3 billion in financial aid, of which $728 million (31%) was provided by UC. Maintaining a robust financial aid program for UC undergraduate and graduate students remains a top University budget priority.

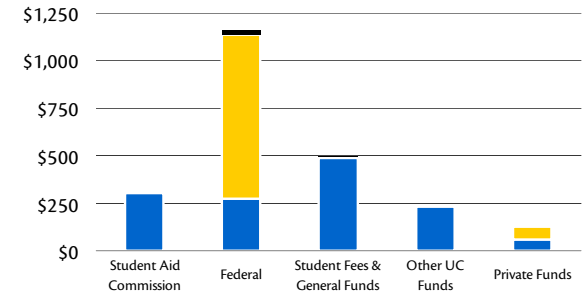
At the undergraduate level, the goal of the University's financial aid program is to maintain the affordability of the University for all students so that financial considerations are not an obstacle to enrollment at the University. In 2007-08, over half of UC undergraduates (54%) received grant/scholarship aid averaging $10,300 per student. Despite fee increases, the University of California is nationally recognized as a leading institution in enrolling an economically diverse pool of undergraduate students. In 2007-08, over 30% of UC students were low-income Pell Grant recipients — more than at any comparably selective research institution.

At the graduate level, the Regents' financial aid policy calls upon the University to attract a diverse pool of highly qualified students by providing a competitive level of support relative to other institutions. This competitive context reflects the fact that graduate student enrollment is tied most directly to the University's research mission and helps the state meet its academic and professional workforce needs. In 2007-08, 61% of graduate students received grants or fellowship support averaging about $14,100 per student, in addition to substantial support from teaching assistantships and research assistantships. The competitiveness of support packages for UC graduate academic students and its impact on the ability of the University to enroll top students from around the world has been a longstanding concern at UC.

The University has faced several challenges in recent years related both to affordability at the undergraduate level and competitiveness at the graduate level. At the undergraduate level, fee increases implemented in response to declining

DISPLAY XVI-1: 2007-08 FINANCIAL AID BY TYPE AND SOURCE OF FUNDS
(DOLLARS IN MILLIONS)

The amount of financial aid provided in 2007-08 represents an increase of about $174 million, or 8%, over the amount received in 2006-07.



	Student Aid Commission	Federal	Student Fees & General Funds	Other UC Funds	Private Funds
Work-study	$-	$28.24	$2.89	$1.36	$-
Loans	$-	$859.63	$4.06	$1.91	$70.58
Gift Aid	$302.53	$274.69	$488.09	$229.95	$56.97

[1] The University of California Financial Aid Policy is available at www.universityofcalifornia.edu/regents/policies/6076.html.

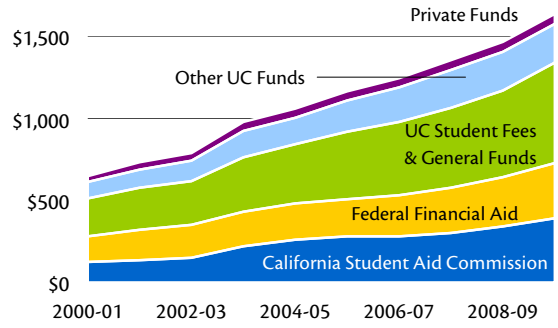
State support for the University's budget contributed to an increase in the University's cost of attendance. These fee increases occurred while other elements of the total cost of attendance — including living expenses and books and supplies — also increased. For graduate academic students, increases in fees and nonresident tuition threatened the University's ability to offer competitive student support packages and placed additional strain on the fund sources that cover those costs. Increases in the Fee for Selected Professional School Students, which were implemented to help professional schools maintain the quality of their programs, have increased the demand for financial aid for these students as well. The University has responded to these challenges by adopting measures that both expanded the availability of student support and mitigated student cost increases, by increasing University funding for grants and fellowships, limiting nonresident tuition increases for graduate students, expanding loan repayment assistance programs for professional degree students choosing public interest careers, and improving information about the availability and terms of private loans for graduate and undergraduate students.

Regarding increased University funding for grants and fellowships, the University has continued to use a portion of the revenue derived from student fee increases to support financial aid for both undergraduate and graduate students. In recent years, UC has set aside 33% of new fee revenue from undergraduate and graduate professional students and 50% of new fee revenue from graduate academic students to augment UC's "return-to-aid" funds.

In 2010-11, the University plans to continue to augment its student aid programs with a return-to-aid of 33% for new undergraduate fee revenue. These funds, together with Cal Grant award increases, will provide additional support that will generally cover the systemwide fee increases for UC's grant-eligible undergraduates and provide some coverage of other cost increases. The University will also use these funds to mitigate fee increase impacts on financially needy middle-income students by covering a portion of the increase for these undergraduates who would not otherwise be eligible for grant assistance. In addition, in 2010-11 the University's Blue and Gold Opportunity Plan will ensure that all mandatory systemwide fees are covered by scholarships or grants for eligible resident undergraduates with family incomes below $70,000, up to the students' need, as discussed later in this chapter.

DISPLAY XVI-2: GIFT AID EXPENDITURES BY SOURCE
(DOLLARS IN MILLIONS)

To offset fee increases and maintain the promise of higher education for all Californians, both the University and the State have invested heavily in student financial support. Total gift aid is projected to exceed $1.6 billion in 2009-10, an average of nearly $7,000 per student.



To help mitigate the impact of fee increases on the competitiveness of UC graduate student support, in 2010-11 the University will continue its current policy of returning 50% of new systemwide fee revenue from graduate academic students to student support. The University's 2010-11 budget plan includes a request to restore State funds cut during the recent budget crisis. If these funds are provided, UC will invest additional funds in graduate student support in 2010-11. However, if the University's budget plan is not funded by the State, the University will be unable to increase

FINANCIAL AID PROPOSALS FOR 2010-11

In 2010-11, the University plans to:

- Return 33% of new systemwide fee revenue from undergraduate and professional students to student support, and return 50% of new systemwide fee revenue from graduate academic students to student support;
- Expand the Blue and Gold Opportunity Plan to offer full coverage of mandatory systemwide fees for eligible resident undergraduates with family incomes up to $70,000 (up to the students' need);
- Initiate a fundraising effort that aims to raise $1 billion for student support over the next four years; and
- Invest another $10 million in graduate student support if the University's request for State funding is fulfilled.

At the State level, UC will work with segments of higher education and other stakeholders to ensure that the Cal Grant program continues to be funded at necessary levels.

At the national level, maximum Pell Grant awards are expected to increase by $200. Students and their families will also be able to take advantage of expansions to federal tax credits, which are new in 2009-10 but expire following the 2010 tax year.

supplemental graduate student support. In fact, strides made in recent years to increase such funds may be eroded, as campuses implement budget reductions to address the State's shortfalls.

For graduate professional students, the University's professional degree programs will be expected to supplement financial aid resources by an amount equivalent to at least 33% of new professional school fee revenue in 2010-11, or to maintain a base level of financial aid equivalent to at least 33% of the total professional school fee revenue. With growing debt levels, the University will also continue to monitor indicators of program affordability, including demographic enrollment trends and cumulative debt levels. The availability of flexible loan repayment plans is becoming increasingly important to these students. For 2010-11, the University expects that campuses will continue to provide loan assistance repayment programs (LRAPs) where appropriate to help borrowers with public interest employment meet their student loan repayment obligations.

As mentioned in the *Student Fees* chapter, the University also proposes to freeze nonresident tuition for graduate academic students for the fifth consecutive year and to freeze nonresident tuition for graduate professional students for the sixth year in a row. By forgoing any increase in graduate nonresident tuition, the University has effectively reduced the real cost of nonresident tuition in each of the past few years.

In 2009-10 and 2010-11, enhancements to financial resources available to students will have a significant impact on undergraduate students. The enhancements for 2009-10 include:

- Augmentations to Cal Grants and UC grants to cover fee increases for lower-income students, along with a portion of increases in these students' other costs (e.g., room and board);
- Pell Grant expansion, raising the maximum award by $619, from $4,731 to $5,350;
- Federal tuition tax credit expansion raising the maximum credit from $1,800 to $2,500, raising the income ceiling from $116,000 to $180,000, increasing the length of eligibility from two to four years of education, and serving 26,000 more UC undergraduates; and
- Introduction of the Blue and Gold Opportunity Plan, ensuring systemwide fees are covered for resident undergraduates with financial need and parent income below $60,000.

As discussed in the *Student Fees* chapter, the University is proposing mid-year fee increases in 2009-10 and an additional fee increase in the 2010-11 academic year. For 2009-10, the University is proposing to increase mandatory student fees by 15% for undergraduate and graduate professional students and by 2.6% for graduate academic students, effective for terms beginning in January 2010. UC anticipates that enhancements in financial resources for 2009-10 will be sufficient to cover the proposed mid-year

UNIVERSITY OF CALIFORNIA
BLUE AND GOLD OPPORTUNITY PLAN

In 2009-10, the Blue and Gold Opportunity Plan ensures that financially needy California undergraduates with total family income under $60,000 have systemwide fees covered (up to the students' need) by scholarship or grant awards. This financial aid initiative, new in 2009-10, helps ensure that UC fee charges do not deter the half of California households with incomes below $60,000 from aspiring to a UC education. The Plan covers an estimated 48,000 students in 2009-10.

In 2010-11, the Blue and Gold Opportunity Plan will offer full coverage of mandatory systemwide fees for eligible resident undergraduates with family incomes up to $70,000 (again, up to the students' need). This program expansion is anticipated to cost $2.7 million and is expected to provide full systemwide fee coverage to an additional 800 students who were not previously eligible for participation in the Plan.

fee increase for an estimated 74% of all undergraduates with family incomes below $180,000. For 2010-11, the University is proposing an additional increase in combined mandatory systemwide fees of 15%. In 2010-11, UC projects that, with return-to-aid funds, full funding from the Cal Grant program, and an expected $200 increase in the maximum Pell Grant award, students from families with incomes below $70,000 will generally have their fee increases covered by gift aid. Many students from families with incomes above $70,000 would also see their gift aid rise, but on average these students would experience some increase in out-of-pocket expenses.

Each year UC prepares a comprehensive report for the Regents describing how undergraduate and graduate students finance their education.[2] In 2009-10 and beyond, the University will continue to closely monitor the effectiveness of its financial support both at the undergraduate and graduate level to evaluate its success in adhering to the principles, articulated by the Regents, of affordability at the undergraduate level and competitiveness at the graduate level.

Fund Sources for Financial Aid

UC students may receive scholarships, fellowships, grants, loans, work-study jobs, and fee remissions to assist them in paying the educational costs of attending UC. The cost of attendance includes fees, living expenses, books, and other expenses. UC students receive assistance from four major fund sources: State aid programs, federal aid programs, University funds, and private entities.

State Aid Programs

Students at all California institutions of higher education may receive financial support from a number of State programs. These programs, administered on behalf of the State by the California Student Aid Commission, include the Cal Grant A and B Programs, described below.

- The Cal Grant A Program is the largest of the State's aid programs and provides fee-coverage grants to needy, meritorious undergraduates.
- The Cal Grant B Program provides undergraduates from particularly low-income or disadvantaged backgrounds with a fee-coverage grant and a stipend for living expenses. First-year recipients generally receive the stipend only.

The programs are designed to promote access to postsecondary education and to foster student choice among California institutions of higher education. Cal Grant awards for recipients attending UC and CSU currently cover systemwide student fees, but provide only minimal assistance to help students cover other costs of attendance. In 2007-08, nearly 50,000 UC students were awarded $303 million in financial aid from all programs administered by the Student Aid Commission. This comprised 32% of all

[2] Annual student financial support reports, compiled by the Student Financial Support unit in the Student Affairs department at the UC Office of the President, are available at www.ucop.edu/sas/sfs/reports_data.html.

scholarships and grants received by UC undergraduates that year. Cal Grant funding for UC students has increased in recent years as UC's fees have increased. It is anticipated that in the event of a mid-year fee increase in 2009-10 and an additional fee increase in 2010-11, the State would provide additional funding to cover proposed 2009-10 mid-year and 2010-11 fee increases for UC Cal Grant recipients. However, the University is concerned about the State's ongoing commitment to the Cal Grant program. In May 2009, the Governor proposed eliminating all new Cal Grant awards, which would have phased out the program over time. The Legislature rejected the Governor's proposal and the Cal Grant program is fully funded in 2009-10. UC will work with segments of higher education and other stakeholders to ensure that the Cal Grant program continues to be funded at necessary levels, including funding to cover the proposed 2009-10 mid-year and 2010-11 fee increases.

Federal Aid Programs

UC students receive federal support in three ways:

- federal grants and scholarships worth $275 million in 2007-08, which comprised 20% of all grants and scholarships received by UC students that year;
- loans totaling $860 million in 2007-08; and
- federal tax credits and income tax deductions, from which many UC families benefitted. Nationally, the value of these federal benefits has grown steadily since their introduction in 1997; tax credits and deductions are described in greater detail at the end of this chapter.

Augmentations to federal aid programs resulting from the American Recovery and Reinvestment Act of 2009 affected funding for 2009-10 and are discussed later in this chapter.

University Funds

University Funds consist of two components, UC core operating funds, and other University aid funds. The University designates $495 million in UC core operating funds – i.e., student fee revenue, UC General Funds and State General Funds – for student financial support. Other University aid funds are provided through various campus-based programs funded by endowment income, current gifts, and campus discretionary funds. In 2007-08, $233 million from these other University aid funds was awarded to students. Nearly all of the support ($230 million) in this University funds category was awarded in the form of fellowships, scholarships, and grants.

Private Support for Financial Aid

Private agencies and firms also provide student financial support through scholarships and other forms of aid. Funds in this category range from traineeships and fellowships from private firms (e.g., Hewlett Packard and IBM), to funds from associations and foundations (e.g., the Gates Millennium Scholars program and the American Cancer Society), to small scholarships from community organizations. Nearly all funds in this category are awarded to students in the form of scholarship or grant support. In 2007-08, $57 million was awarded to UC students from private agency programs, representing 4% of the

UNIVERSITY OF CALIFORNIA RETURN-TO-AID

Historically, the University has funded UC student financial support needs in part by setting aside a portion of revenue from fee increases for financial aid for needy students, a practice called "return-to-aid." As UC more fully recognized student financial need not covered by external resources and as student need increased over time, the percentage of revenue from fee increases dedicated to financial aid also increased.

In 1987-88, the percentage of new fee revenue dedicated to financial aid was 16%; this proportion has increased over time to 33% for undergraduates. A return-to-aid rate of 50% on new fee revenue will augment financial aid funding for graduate academic students in 2010-11, while 33% of all new professional school fee revenue will augment financial aid for professional school students. In addition, campuses are expected to set aside a minimum of 25% of the revenue from newly enacted campus-based fees for return-to-aid.

scholarships, grants, and fellowships students received during that year.

Private loans are an important financing option for students with unique circumstances, such as international students with no U.S. co-signers and students who have already borrowed the maximum allowable amount under federal student loan programs. Such loans are particularly important for students in professional degree programs due to the relatively high cost of those programs. UC students borrowed $71 million from private lenders in 2007-08. For 2006-07, 2007-08, and 2008-09, the University was successful in identifying lenders that offered private student loans with competitive terms and were willing to lend to any student, including high-risk borrowers. In 2009-10, the University has continued to provide information to students on the availability and terms of private student loans but, given the changing credit environment, can no longer guarantee access to private loans for high-risk borrowers.

Other smaller sources of financial assistance, including exemptions and tax credits, are described in more detail at the end of this chapter.

Undergraduate Student Financial Aid

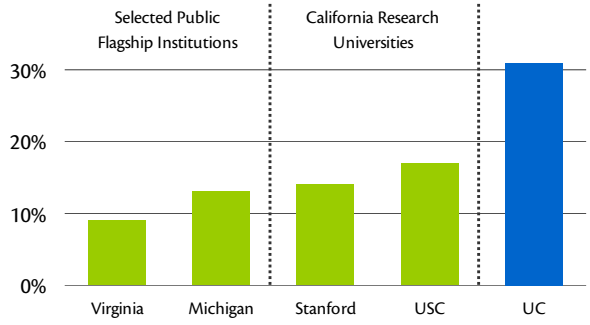
As noted earlier in this chapter, the University has remained accessible to undergraduate students from all income groups. Over 30% of UC students are low-income Pell Grant recipients, more than at any other comparably selective research institution. Financial aid also contributes greatly to the University's undergraduate diversity. African-American, Chicano/Latino, and Asian-American students are disproportionately low income; 45%, 46%, and 35%, respectively, of these students are either financially independent students (who are generally low-income) or have parent incomes less than $40,000. Collectively, these students receive 71% of all undergraduate gift assistance.

DISPLAY XVI-3: UNDERGRADUATE STUDENT FINANCIAL AID AT A GLANCE (2007-08)

Total aid	$1.5 billion
Aid recipients	62%
Total gift aid	$940 million
Gift aid recipients	54%
Average gift aid award	$10,279
Gift aid awards based on need	88%
Students who took out loans	39%
Students who worked	54%
Percent graduating with debt	51%
Average debt among borrowers	$15,242

DISPLAY XVI-4: 2007-08 UNDERGRADUATE PELL GRANT RECIPIENTS

UC remains accessible for students from low-income families. UC has a very high proportion of federal Pell Grant recipients – around 30%, which is more than at any comparable public or private institution.

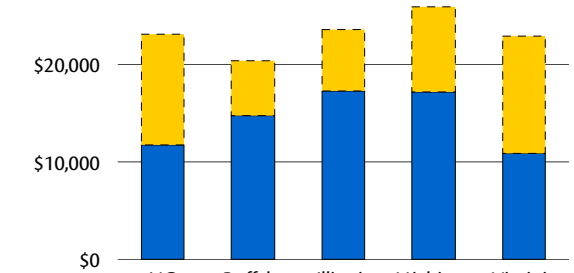


To date, the University has remained successful in enrolling low-income students despite recent fee increases and increases in non-fee costs that also occurred during those years. The overall income mix of UC students has remained stable in recent years even as costs have risen.

A general measure of the University's affordability is its average net cost of attendance, which represents the actual cost of attending UC for undergraduates after taking into account scholarship and grant assistance. In 2008-09 (the most recent year for which information is available), the University's average *total* cost of attendance (before financial aid) represented the midpoint among its four public comparison institutions, as shown in Display XVI-5. After

DISPLAY XVI-5: 2008-09 NET COST OF ATTENDANCE FOR UNDERGRADUATE AID RECIPIENTS

Undergraduate need-based aid recipients at UC received an average of $11,300 in gift aid, resulting in a net cost of $11,700. UC's net cost in 2008-09 was lower than the net cost at three of its four public comparison institutions.



	UC	Buffalo	Illinois	Michigan	Virginia
Total Cost	$23,113	$20,389	$23,620	$25,869	$22,919
Gift Aid	$11,356	$5,608	$6,324	$8,720	$12,054
Net Cost	$11,757	$14,782	$17,296	$17,150	$10,864

adjusting for gift aid, however, the *net* cost of attendance for resident need-based aid recipients was lower than the estimated net cost at three of the University's four public comparison institutions.

The Education Financing Model

Consistent with the financial aid policy adopted by the Regents in January 1994, the University uses an integrated framework — the "Education Financing Model" — to assess UC's role in funding its financial support programs, to allocate financial aid across campuses, and to guide the awarding of aid to individual students. The framework is based on four principles:

1. The University must acknowledge the total cost of attendance: resident student fees, living and personal expenses, and costs related to books and supplies, transportation, and health care;
2. Financing a UC education requires a partnership among students, their parents, federal and state governments, and UC;
3. To maintain equity among undergraduate students, all students, no matter which campus they attend or their income level, are expected to make a similar contribution from student loans and employment to help finance their educations; and
4. Flexibility is needed for students in deciding how to meet their expected contributions, and for campuses in implementing the Model to serve their particular student bodies.

These principles are reflected in a relatively simple framework for determining the components of a student's financial aid package, illustrated in Display XVI-6.

Parent Contribution. Parents are expected to help pay for the costs of attending the University if their children are considered financially dependent. The amount of the parental contribution is determined by the same formula used to determine need for federal and state aid programs, which takes into account parental income and assets (other than home equity), the size of the family, the number of family members in college, and non-discretionary expenses. Particularly low-income parents have an expected contribution of zero.

Student Contribution. Undergraduates are expected to make a contribution to their educational expenses from earnings and borrowing. The expected contribution should be manageable so students are able to make steady progress toward completion of the baccalaureate degree and to meet loan repayment obligations after graduation. The Education Financing Model includes ranges for loan and work expectations based on the University's estimate of the minimum and maximum manageable loan/work

DISPLAY XVI-6: UC GRANT ASSISTANCE UNDER THE EDUCATION FINANCING MODEL

The Total Cost of Attendance	
Less	A reasonable contribution from parents
Less	Grants from federal and state programs
Less	A manageable student contribution from work and borrowing
Equals	University grant aid needed

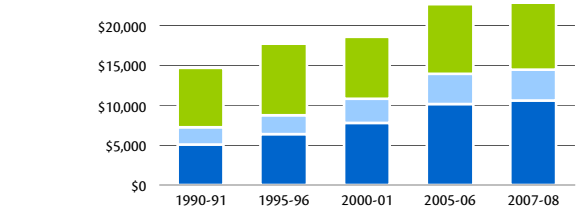
levels, adjusted annually for inflation and periodically for market changes in student wages and expected post-graduation earnings.

The University's goal is to provide sufficient systemwide funding to ensure that students' loan/work expectations fall within the range established by the Education Financing Model. The University's activities in determining funding levels for its need-based grant program, determining how these funds are allocated across the campuses, and setting guidelines for awarding those funds to students are implemented in accordance with the principles of the Education Financing Model.

In recognition of the University's commitment to providing financial access for students at every income level, in October 2007 the Provost established a Workgroup on Undergraduate Affordability to identify and prioritize the University's most important undergraduate student support needs, and to recommend specific goals and strategies to address them. The Workgroup's findings, goals, and recommendations were finalized in March 2008.[3] The Workgroup's findings included the prediction of a widening gap, developing over the next five to ten years, between students' total cost of attendance and the resources that will be available to cover them. The Workgroup recommended enhancements to the University's need-based grant program to address these concerns before they become an obstacle to maintaining a talented and socioeconomically diverse student body. The recommendations included additional fundraising, aided by a State matching grant program; expansion of the Cal Grant program; and increasing the priority of undergraduate financial aid in the use of fee revenue and any new revenue resulting from an improved investment strategy for campus cash balances.

DISPLAY XVI-7: COST OF ATTENDANCE BY EXPECTED SOURCE OF FUNDING AMONG UNDERGRADUATE NEED-BASED AID RECIPIENTS
(2007-08 DOLLARS)

The total cost of attendance, average parental contribution, and average amount of grant, scholarship and fellowship assistance have increased over time for undergraduate need-based aid recipients.



	1990-91	1995-96	2000-01	2005-06	2007-08
Loan/Work	$7,441	$9,053	$7,829	$8,770	$8,517
Parent Contribution	$2,180	$2,381	$3,045	$3,709	$3,871
Gift Aid	$5,038	$6,357	$7,780	$10,199	$10,595

Outcomes of the Undergraduate Aid Program
Display XVI-7 illustrates how undergraduate need-based aid recipients at UC have financed their cost of attendance from 1990-91 through 2007-08, and also illustrates several noteworthy trends:

- The total cost of attendance for need-based aid recipients has generally increased over time, due to increases in both fee and non-fee expenses;
- Since 1990-91, the average parental contribution of need-based aid recipients has increased, due largely to higher-income families becoming eligible for need-based aid; and
- The average amount of grant, scholarship, and fellowship assistance received by need-based aid recipients has also risen in inflation-adjusted dollars. Nevertheless, the amount to be covered by student work and borrowing increased during this period and will likely continue to increase in the future.

For 2009-10, it is estimated that UC grant recipients will be expected to work or borrow, on average, approximately $9,100 to finance their

[3] The Report of the Workgroup on Undergraduate Affordability is available at www.ucop.edu/sas/sfs/docs/affordabilityrpt2008.pdf.

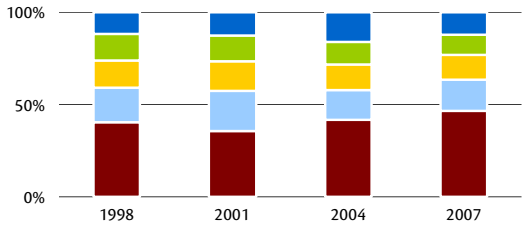
education, although students can compete for UC scholarships and outside awards that effectively reduce their expected contribution. During the 2007-08 academic year, one in four undergraduate students received scholarships worth nearly $3,600 on average.

The University monitors a variety of outcome measures related to student support to evaluate the effectiveness of its undergraduate financial aid programs. These outcome measures are designed to answer the following questions:

- **Does the University enroll students from all income levels?** As noted earlier, the University has achieved remarkable success at enrolling a high percentage of low-income undergraduate students. In addition, the enrollment patterns of first-year students do not appear to be driven by fee levels or changes in the University's net cost; rather, trends in the income of UC freshmen generally reflect similar trends among California's population as a whole.
- **Do UC students work manageable hours?** The University funds and administers its financial aid programs such that no student is expected to work more than 20 hours per week in order to finance their education. Multiple surveys conducted between 1998 and 2008 depict similar patterns of work, indicating that the increase in UC's cost of attendance that occurred during this time period has not significantly impacted this outcome measure. Display XVI-8 shows the results of several Student Expenses and Resources Surveys (SEARS).
- **Do students' financial circumstances affect their academic success?** Despite recent increases in fees and non-fee expenses, trends in student persistence remain stable for students at every income level. In addition, financial considerations do not seem to influence students' abilities to make progress towards meeting their baccalaureate degree requirements.

DISPLAY XVI-8: TRENDS IN STUDENT WORK HOURS, 1998-2007

Student Expenses and Resources Survey (SEARS) figures from 1998 to 2007 show no consistent trend with students' work hours during this period.



	1998	2001	2004	2007
21 or More	11.6%	12.7%	16.1%	12.3%
16 to 20	14.5%	14.0%	12.0%	10.9%
11 to 15	14.6%	15.9%	14.3%	13.2%
10 or Less	18.9%	21.9%	15.8%	17.0%
No Work	40.4%	35.6%	41.9%	46.6%

- **Do students graduate with manageable debt?** Under the Education Financing Model, debt that requires between 5% and 9% of a student's annual postgraduate earnings is considered to be manageable. The percentage of students who graduate with student loan debt has declined among every income group in most years during the period from 2000-2007, which is consistent with a declining trend in the number of students who borrow each year. Among those who do borrow, average cumulative debt has changed little during the past few years. Among students who graduated in 2007-08, 51% borrowed at some point while enrolled at UC; their average cumulative borrowing at graduation was $15,242. In comparison, among students who graduated in 2000-01, 55% borrowed at some point while enrolled at UC, and their average cumulative borrowing at graduation was $15,709.

Graduate Student Financial Aid

At the undergraduate level, the Cal Grant and Pell Grant programs insulate many needy low- and middle-income families from the effects of systemwide fee and other cost increases and play an important role in maintaining the affordability

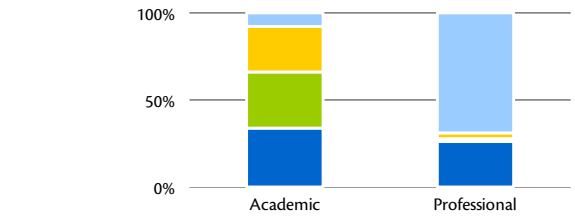
of the University. No comparable State or Federal programs exist at the graduate level. For graduate students, the burden of covering increases in fees and nonresident tuition falls upon the University, research and training grants funded by federal and other extramural agencies, private foundations, and students.

Because the competitive markets for graduate academic and graduate professional students differ substantially, so do the types of financial support provided to these two types of graduate students. As shown in Display XVI-9, 34% of support for graduate academic students was in the form of fellowships and grants. Graduate academic students also serve as teaching and research assistants and, hence, receive support from the instructional and research components of the University's budget. Combined, fellowships, grants, and assistantships represent over 90% of all support received by graduate academic students.

In contrast, 69% of the support for graduate professional students was in the form of student loans and work-study and only 31% was in the form of fellowships, grants, and assistantships. In 2007-08, per capita borrowing among graduate academic students averaged only $2,467, while per capita borrowing among graduate professional students was $18,444.

DISPLAY XVI-9: 2007-08 GRADUATE FINANCIAL SUPPORT BY PROGRAM TYPE AND AID TYPE

More than 90% of graduate academic financial aid is in the form of fellowships and grants, teaching assistantships and research assistantships. Most aid for professional school students is in the form of loans.



	Academic	Professional
Loan/Work-Study	8%	69%
Teaching Assistantship	26%	3%
Research Assistantship	32%	2%
Fellowship/Grant	34%	26%

DISPLAY XVI-10: GRADUATE STUDENT FINANCIAL AID AT A GLANCE (2007-08)

▪ Total aid	$1.3 billion
▪ From gift aid	31%
▪ From loans/work-study	29%
▪ From assistantships	41%
▪ Aid recipients	87%
▪ Gift aid recipients	61%
▪ Average gift aid award	$14,115

Graduate Academic Student Aid

As noted above, the competitiveness of student support for UC graduate academic students and its impact on the ability of the University to enroll top students from across the world has been a longstanding concern. This concern has been joined by concerns about the impact of cost increases — especially increases in nonresident tuition and systemwide fees — that were instituted in response to declining State support for UC's budget.

In 2006, the University established an ad hoc Graduate Student Support Advisory Committee (GSSAC) to advise the Provost and other senior University officials on matters related to graduate student support. The final report of the Committee included three principal findings:

- Anticipated increases in traditional funding levels for graduate student support will be inadequate to allow the University to achieve its twin goals of closing the competitive gap and meeting its enrollment growth targets. The Committee estimated that an additional $122 million of support would be necessary for the University to improve the competitiveness of its awards and to achieve its graduate academic enrollment goals at that time.
- The cost of covering tuition for first-year nonresident students and for international students who have not yet advanced to candidacy limits the extent to which UC

graduate programs can compete for and enroll these students.

- Research and training grants cannot be relied upon both to fully cover all future tuition and fee increases and help increase the University's competitiveness.

Building on GSSAC's work, the University's Task Force on Planning for Doctoral and Professional Education (PDPE) has been charged with updating UC's goals for graduate academic student support, developing a funding model to generate the additional revenue needed to meet those goals, developing specific proposals or strategies for addressing UC's graduate academic student support needs, and advising the Provost of its recommendations. The PDPE Task Force anticipates completing its work by January 2010.

Over the past few years the University has taken several steps to address the gap between graduate student support demand and supply. First, the University increased the percentage of new fee revenue from graduate academic students set aside for graduate student support. The percentage was 20% in 2004-05 and is currently 50%. In 2009-10, these funds allowed the University to cover cost increases associated with University-funded teaching assistantships, research assistantships, and fellowships that currently cover students' fees.

Second, between 2005-06 and 2008-09, the University included in its annual budgets an additional $40 million from a combination of campus and systemwide fund sources for graduate student support programs. This approach reflects a shared responsibility at the systemwide and campus level to address the widespread concern about the University's ability to provide competitive award packages for academic graduate students, especially international students faced with the added expense of nonresident tuition.

Third, the University has not increased graduate nonresident tuition levels for several years. The foregone revenue is seen as a worthwhile trade-off in order to avoid further demands on limited fellowship and research assistantship funding caused by a tuition increase. By maintaining nonresident tuition for graduate academic students at the 2004-05 level, the University also continued to reduce, in real terms, the costs associated with covering nonresident tuition for out-of-state and international students.

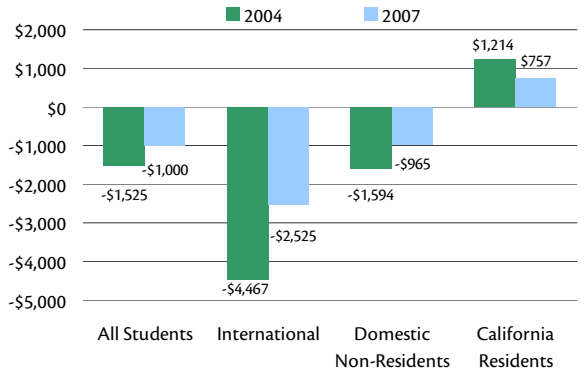
Fourth, the University has worked to reduce costs for academic doctoral candidates. Effective in fall 2006, graduate doctoral students who have advanced to candidacy are exempt from paying any nonresident tuition for a maximum of three years. This policy provides an incentive for these students to complete their dissertation work promptly and reduces the burden on research grants and other fund sources that are often used to fund this cost as part of a student's financial support package. From 1997 through 2006, academic doctoral students who had advanced to candidacy were assessed only 25% of nonresident tuition for up to three years.

As a result of these steps taken by the University, for academic graduate students UC has narrowed the gap between its offers for academic doctoral students and those of competing institutions by more than $500, as shown in Display XVI-11. UC's competitiveness has improved the most for international students, where the gap has been reduced by almost $2,000. UC has made progress for domestic nonresident students as well and maintained a sizable advantage over competing institutions for California resident students. Nevertheless, large gaps remain, and they are exacerbated by the high cost of living at UC campus locations.

The University's proposals for 2010-11 (outlined on page 130 of this chapter) continue to address the most pressing concerns regarding graduate student support, namely mitigating the impact of any further fee increases on graduate student support; ensuring that the University can compete

DISPLAY XVI-11: COMPETITIVENESS OF UC FINANCIAL SUPPORT OFFERS TO ACADEMIC GRADUATE STUDENTS

For academic doctoral students, UC has narrowed the gap between its offers and those of competing institutions by more than $500.



successfully for the top students, including out-of-state and international students; and providing additional funding so that the University can achieve its goals for graduate enrollment growth.

Professional School Student Aid

The Regents' Fee Policy for Selected Professional School Students, approved in 1994, stipulates that an amount of funding equivalent to at least one-third of the total revenue from Professional School Fees be used for financial aid.[4] The policy was amended in July 2007, at which time the Regents adopted specific conditions for ensuring that the University's commitment to access, affordability, diversity, and students' public service career decisions are not adversely affected by fee increases for professional degree students.

About two-thirds of aid awarded to graduate professional students is in the form of loans, primarily from federal loan programs, rather than fellowships or grants. The differences in support patterns for graduate academic and graduate professional students reflect the contrasting approaches to graduate student support in higher education. Fellowship, grant, and assistantship support are viewed as more successful and loans less successful for recruiting and retaining doctoral students whose academic programs are lengthy and whose future income prospects are relatively low. In addition, significant funding from extramural faculty research grants and University teaching funds are available to fund graduate academic students who teach as part of their academic education, as well as graduate academic students who work as research assistants. The University also sets aside less return-to-aid funding for professional school students (33%) than for graduate academic students (50%). A greater reliance on loans and a smaller return-to-aid percentage are appropriate for professional school students because their programs are shorter, and their incomes after graduation tend to be higher, than those of other graduate students.

University funds are also used for loan repayment assistance programs (LRAPs) in certain disciplines. These programs acknowledge the fact that students who choose careers in the public interest often forego higher incomes; thus, these students may be less able to meet their debt repayment obligations. Other LRAPs are funded at the federal, state, or regional level to encourage students to serve specific populations (e.g., to work as a physician in a medically underserved area). In recent years, every UC law school has significantly expanded its LRAP to provide a higher level of debt repayment relief to a broader population of graduates. Other professional schools are continuing to evaluate the appropriate mix of loan assistance and increased fellowship support to ensure that public interest careers remain a viable choice for their graduates, given the different labor markets and students that each program serves. As noted earlier in this chapter, the University will continue to monitor enrollment trends and debt levels for these students.

[4] The University of California Policy on Fees for Selected Professional School Students is available at www.universityofcalifornia.edu/regents/policies/6088.html.

Other Sources of Financial Assistance

The federal government and the State provide a number of vehicles to help students and their families finance their education.

Cal Vet Fee Exemptions
Consistent with provisions of the California Education Code, by University policy, dependents of veterans whose death or disability was service-connected are generally eligible for exemption from mandatory systemwide fees. In 2007-08, nearly 2,700 UC students took advantage of such exemptions, worth a total of $16.9 million.

AB 540 Tuition Exemption
Consistent with Section 68130.5 of the California Education Code, by University policy, certain nonresident students who attended a California high school for at least three years and who graduated from a California high school may be eligible for exemption from nonresident tuition at UC. Potentially eligible students include undocumented students and domestic students who fail to meet the University's requirements for residency. In 2007-08, over 1,900 UC students qualified for exemptions worth $33.6 million.

Federal Tax Credits
The Taxpayer Relief Act of 1997 established two tax credit programs, the Hope Tax Credit and the Lifetime Learning Tax Credit, designed to provide tax credits to qualified taxpayers for tuition and fees paid for postsecondary education. Under the American Recovery and Reinvestment Act of 2009, the Hope Tax Credit was expanded and renamed the American Opportunity Tax Credit (AOTC). The AOTC's key enhancements include an increase in the maximum credit from $1,800 to $2,500; an increase in the income ceiling from $116,000 to $180,000 for married filers; and an increase in the length of eligibility from two to four years of education. The Lifetime Learning Tax Credit provides smaller tax credits, and taxpayers are not limited to payments made during the first four years. In general, middle- and lower-middle-income students and their families benefit from these tax credit programs. The estimated value of the Hope and Lifetime Learning tax credits for UC students exceeded $80 million in 2007-08 and may grow by up to $88 million in 2009-10 due to the expansion noted above.

Above-the-Line Tax Deduction for Higher Education Expenses
In 2001, a new higher education expense deduction was established to provide relief to families whose incomes disqualify them from participation in the Hope (now American Opportunity) Tax Credit and the Lifetime Learning Tax Credit. Eligible families can qualify for a deduction of up to $4,000.

Scholarshare Trust College Savings Program
This program is a college savings fund administered by the California State Treasurer which, because it's tax-exempt, encourages families to save for college expenses.

Penalty-Free IRA Withdrawals
Taxpayers may withdraw funds penalty-free from either a traditional Individual Retirement Account (IRA) or a Roth IRA for postsecondary education expenses. This provision is intended to assist middle-income students and their families.

Coverdell Education Savings Account
The Economic Growth and Tax Relief Reconciliation Act of 2001 established the Coverdell Education Savings Account (ESA) to replace the Education IRA. Although contributions are not tax-deductible, earnings on the ESA are tax-free and no taxes will be due upon withdrawal if used for qualified higher education expenses. This program is intended to assist middle-income students and their families.

U.S. Savings Bonds
The interest on U.S. savings bonds is, in certain circumstances, tax-free when bond proceeds are

used to cover education expenses. Eligibility for tax-free withdrawals is a function of income level when the bond is redeemed and is intended to assist middle-income students and their families.

Student Loan Interest Deduction
Taxpaying borrowers may take a tax deduction for interest paid on student loans. Middle- and lower-middle-income borrowers with high debt are the primary beneficiaries of this deduction.

Loan Repayment Assistance Programs
Loan repayment assistance programs (LRAPs), loan assumption programs, and loan forgiveness programs are available to graduates who enter certain professions (especially teachers) or who serve specific populations after graduation.

Veterans Education Benefits
Several federal programs provide financial assistance to help veterans and their dependents finance a college education. In particular, the newly enacted GI Bill provides eligible veterans attending UC with up to $22,000 per year beginning in 2009-10.

"UC's auxiliary enterprises are constantly evolving to meet the changing needs of the UC community, from residential life programs for students and housing assistance for new faculty, to expanding bookstore products and services."

—Anne Broome
University of California
Vice President for Financial Management

AUXILIARY ENTERPRISES

Auxiliary enterprises are self-supporting services that are primarily provided to students, faculty, and staff. Student and faculty housing, dining services, and campus bookstores are the largest auxiliaries, with intercollegiate athletics and parking also major components. No State funds are provided for auxiliary enterprises; therefore, revenues are derived from fees directly related to the costs of goods and services provided to cover all of their direct and indirect operating costs. The annual budget is based upon income projections; all budget increases are funded by corresponding increases in revenue. Operating expenditures for auxiliary enterprises are estimated to total $1 billion in 2009-10.

Auxiliary enterprises, as all functional areas of the University, have sought to reduce costs through increased efficiencies in administration and operations. Savings achieved in these programs are necessary to meet higher assessments being charged to auxiliaries for campus-wide operating costs as a way to help address budget shortfalls. They will also be important as these programs re-start employer contributions to the UC Retirement Plan.

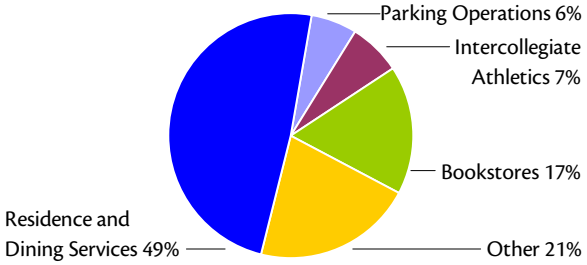
Student, Faculty, and Staff Housing

UC's largest program auxiliary enterprise is student housing, comprising 63,886 University-owned residence hall and single student apartment bed-spaces and 5,536 student family apartments, for a total of 69,422 spaces in Fall 2008.

Affordable student housing is an important component of the University's ability to offer a high-quality education and residence life experience. Campus housing is also important in addressing the University's sustainability goals and long range planning targets. Rapid enrollment growth over the last decade has presented the University with many challenges;

DISPLAY XVII-1: 2008-09 AUXILIARY ENTERPRISES EXPENDITURES BY SERVICE TYPE

Student and faculty housing and campus bookstores are the largest auxiliary enterprises.



DISPLAY XVII-2: AUXILIARY ENTERPRISES AT A GLANCE

Student Housing:	
Single student residence bed spaces	63,886
Student family apartments	5,536
Student housing occupancy rate	106.8%
Planned growth by 2010	1,869
Faculty Housing:	
Faculty rental housing units	930
Mortgage loans provided	5,753
Faculty provided housing assistance	3,734
Parking:	
Parking spaces	114,340

creating affordable, accessible student housing to accommodate this growth has been high among those challenges. In accommodating demand, campuses identified guaranteed housing for freshmen as one of their highest priorities. Providing additional housing opportunities for transfer and graduate students is also a top priority for all campuses.

While the University was better prepared in Fall 2008 to meet the housing demand of students than in previous years, most campus residence halls continued to be occupied at over 100% design capacity (systemwide occupancy of residence halls was 106.8% in 2008-09). Campuses accommodate high excess occupancy by converting doubles to triples, as well as modifying study areas into temporary quarters. Campuses housed all freshmen that met enrollment and housing application deadlines. By the Fall 2010 term, if construction proceeds as planned, the University will add 1,869 new student bed-spaces to its inventory. With slowing enrollment growth, campuses expect to convert fewer double occupancy rooms to triples.

The California housing market is a continuing deterrent to UC's faculty recruitment efforts, particularly for junior faculty, and adding faculty and staff rental housing units continues to be a high priority. Various programs to alleviate this problem have been implemented since 1978:

- Rental housing units are made available to newly appointed faculty according to criteria established by each campus. These units are self-supporting without subsidy from student rental income.
- Home loan programs provide mortgage loans with favorable interest rates and/or down payment requirements to faculty members and other designated employees.
- The Faculty Recruitment Allowance Program provides faculty members with housing assistance during their first years of employment with the University.
- Six campuses have developed for-sale housing on land owned by the University. The land is leased to the purchaser of a unit built by a private developer. Resale restrictions control prices and determine eligibility for new buyers.

Parking

UC's parking program is another major auxiliary, with more than 114,000 spaces for students, faculty, staff, and visitors. Recognizing the serious need for parking on each of the campuses, the University has approved parking projects in recent years that will yield more than 2,000 new spaces.

However, as the University moves forward to implement its ambitious Policy on Sustainable Practices, campuses have revisited plans for adding parking inventory. Instead, campuses are encouraging students, faculty, and staff to consider alternatives to driving to the campuses. Most campuses have implemented expansive Transportation Demand Management programs, including a variety of alternative transportation options such as carpools, vanpools, shuttles, transit pass subsidies, and similar initiatives. These alternative options are funded, in part, by parking revenues. Campus Long Range Development Plan Environmental Impact Reports require mitigation of traffic impacts that the University creates.

Bookstores

Nine of the ten campuses own and operate bookstores providing a broad selection of general books, textbooks, computer products, supplies, insignia apparel and souvenirs, sporting goods, dormitory and apartment living supplies, newsstand materials, groceries, and a variety of other products. The Berkeley campus is the only campus that contracts the management of the campus bookstore to a private operator.

Although each campus bookstore serves the unique needs of the campus within the context of the surrounding competitive marketplace, there are several common trends among UC bookstores and among their cohort stores serving other research universities:

- Total revenue from book and merchandise sales has been negatively affected by lower enrollment growth at most campuses and by declining disposable income among students, faculty, staff, and parents.
- Textbook sales, traditionally comprised of both new and used titles, now include custom content textbooks, digital textbooks, custom course packs, loose-leaf books, computer software and rental textbooks (at some, but not all campuses).
- Declines in the number of textbooks and general books sold have accelerated in recent years, and early indicators suggest that this trend is continuing in Fall, 2009.
- As the sale of course materials content declines, bookstore sales of computer products (the tools to access that content) have increased.
- UC bookstores are striving to add merchandise categories to add value and convenience to the quality of life on campus and to offset the decline in revenue from the sale of textbooks.
- Today, a higher rate of revenue growth comes from on-line sales than in-store sales.
- Many bookstores have incurred debt for expansion, renovation and/or new bookstores.

"The future of California depends on the ability of its higher education systems to continue to spur economic growth and job creation."

—Peter Taylor
University of California
Chief Financial Officer

PROVISIONS FOR ALLOCATION

Provisions for allocation serve as a temporary repository for certain funds until final allocation decisions are made. For instance, funds allocated for fixed cost increases, such as salary adjustments, employee benefit increases, and price increases, are held in provision accounts pending final allocation. Fixed cost increases are discussed in the *Compensation, Employee Benefits, and Non-Salary Cost Increases* chapter of this document. Provisions for allocation also include negative appropriations, specifically State General Fund unallocated budget reductions awaiting allocation decisions and budgetary savings targets.

Rental Payments for Facilities Funded from Lease Revenue Bonds

Funds to pay for rental payments for University facilities constructed from lease revenue bonds were initially appropriated to the University in 1987-88. Under the conditions of this funding mechanism, the University contracts with the State to design and construct facilities, provides the State Public Works Board (SPWB) with a land lease for the site on which buildings will be constructed, and enters into a lease purchase agreement for the facilities with the SPWB. Annual lease payments are appropriated from State funds and used to retire the debt. At the end of the lease term, ownership of the facilities automatically passes to the University. In 2009-10, $186.8 million was appropriated to the University for revenue bond lease payments. Consistent with past practice, the funding level needed for revenue bond lease payments for 2010-11 will be determined by the Department of Finance and included in the final budget.

Debt Service Payments for Deferred Maintenance Projects

In 1994-95 and again in 1995-96, the State authorized $25 million in long-term debt financing to pay for high priority deferred maintenance projects involving the renewal or replacement of capital assets. All projects funded by this mechanism are required to have a useful life of at least 15 years. It was determined that the University should provide the financing and that funds to repay the principal and interest would be appropriated in the annual State budget.

Each year, the State Budget Act has appropriated a total of $5.1 million to pay for the principal and interest related to the 1994-95 and the 1995-96 deferred maintenance projects. A portion of this obligation ($2.7 million) will be fully paid off in 2009-10, with the remainder ($2.4 million) to be fully paid in 2010-11.

"We cannot continue to attract and retain the finest intellectual talent in the world while paying below-market salaries and then cry 'foul' when the brain drain begins."

—Mark G. Yudof
University of California
President

COMPENSATION, EMPLOYEE AND RETIREMENT BENEFITS, AND NON-SALARY COST INCREASES

This chapter discusses funding for employee salaries and benefits and for price increases required to maintain the University's purchasing power at present program levels. Salary increases are largely driven by cost-of-living-adjustments and by the need to remain competitive with the market. Benefits and other non-salary increases are driven by inflation and price increases imposed by providers. Thus, increases and adjustments to the University's budget plan largely reflect the rising costs of doing business, rather than initiation of new programs.

An area of continuing concern, as a result of years of underfunding of the University's budget, is the continuing lag in faculty and staff salaries compared to market. Due to the State's fiscal crisis, staff merit increases and general range adjustments for academic and staff employees were not provided in 2008-09 and 2009-10, and for 2010-11, are unlikely to be provided. Three years without salary increases will exacerbate an already significant problem with respect to the University's ability to provide competitive salaries. Compounding this problem, UC faculty and staff face furloughs in 2009-10, resulting in salary reductions from 4% to 10%. The lack of general salary increases and the temporary salary reductions resulting from the furlough plan will have serious consequences for UC faculty and staff and their families.

Historically, one of the University's highest priorities has been to achieve and maintain market-competitive total compensation for its employees. In order to continue to achieve this priority, it will require providing sufficient funds, through a combination of merit, general range, market, and equity adjustments to keep UC faculty salaries at the average of the salaries provided at its eight comparison institutions, and to provide salary increases for other employees that, on average, remain competitive with the market. However, the current fiscal crisis has prevented progress toward paying competitive salaries. Thus, instead of closing market gaps, the lack of general salary increases over a multi-year period is creating profound talent management challenges in retaining high-performing faculty and staff at UC. These challenges will grow more difficult, particularly when an economic recovery begins and other institutions are in a position to recruit UC's top performers.

Compensation for Academic and Staff Employees: Salary Increases

In a normal year, in which the University would expect some level of budget increase in core funds (through a combination new State funding, revenue from student fees, or other sources), the University would include in its budget plan a proposal to fund a compensation package

for employees. This package would typically include funding for the following elements:

- continuation costs for salaries and health and welfare benefits provided in the previous year;
- funding for merit salary increases for eligible employees;
- general range adjustments effective October 1 (for eligible employees);
- market-based equity salary increases; and
- health and welfare benefit cost increases.

Consistent with past practice, compensation for employees funded from other fund sources — including teaching hospital income, auxiliary enterprises, federal funds, and other sources — would normally be accommodated from within those fund sources and would conform to the University's established systemwide salary programs for State-funded employees.

In 2009, a recent study was updated to review UC's total compensation program. The results of the study indicated that, in general, average salaries were significantly below that of the market median. However, the total compensation package, including salary and health and welfare benefits for employees as well as post-employment benefits (pension and retiree health), was close to market. However, it is anticipated that the employer-provided value of the benefit package will decrease in the next few years as employer and employee contributions to the UC Retirement Plan, not required since the early 1990s, are reintroduced to ensure the solvency of the retirement program. In addition, funding over the next several years likely will not be adequate to match the inflationary increases of health benefit costs, requiring that employees contribute a larger share of their medical premiums. The University's long-range plan is to rebalance the components of the total compensation package and bring salaries closer to market-competitive levels so that the total compensation package remains competitive.

DISPLAY XIX-1: COMPONENTS OF A COMPENSATION PACKAGE

- **Continuation costs** are costs incurred from salary and benefits increases provided in the previous year. These costs are not fully funded in any given year because salary increases are implemented on October 1 and benefit costs increase on January 1, rather than July 1 at the beginning of the budget year. Therefore, the unfunded portion must be recognized in the following budget year.
- **Merit increases** recognize and reward excellence, and are critical to the preservation of the quality of the University. Merit salary increases for faculty and other academic employees in particular provide an incentive to maintain and expand teaching and research skills, and enable the University to compete with other major research universities in offering long-term career opportunities. Merit increases are never automatic.
- **General range adjustments** for eligible employees are pay increases that reflect changes in the cost of living.
- **Market and equity adjustments** help bring an individual's salary to market level for employees in jobs with the biggest external market gaps and/or internal equity issues, or to address recruitment and retention challenges.

Funding Shortfalls and the Salary Gap

The fiscal crisis faced by the State during the early part of this decade has significantly contributed to gaps between UC salaries for faculty and other employees and the market. As part of the State's actions to reduce budgets in 2001-02 and 2002-03, the University lost funding that had been targeted for general range, market, and equity increases for faculty and staff. The University instituted additional internal budget cuts in order to fund academic merit increases for 2003-04 and 2004-05, but no employees received a general range adjustment and staff employees received no merit increases. While the Compact provided funding for academic and staff salary increases from 2005-06 through 2007-08, this was not enough to reverse the effects of years without adequate salary increases. Due to the latest crisis, general salary increases were not provided to faculty or staff in

2008-09 and 2009-10, and increases appear unlikely for 2010-11. In 2008-09, faculty salaries were almost 10% behind the University's comparison institutions. A similar problem exists for other academic and staff employees in most workforce segments.

2009-10 Furlough / Salary Reduction Plan

As part of the University's plan to address State funding reductions, in July 2009, the Regents approved a one-year furlough/salary reduction plan effective September 1, 2009 to August 31, 2010. The plan is estimated to save $184 million in General Funds to help address the State funding shortfall. The plan is a tiered system of furloughs and pay reductions, based on employee pay; employees are being furloughed from 10 to 26 days per year, with the lowest paid employees (up to $40,000) taking the fewest furlough days. Pay reductions range from 4% to 10% per year for employees, as noted in Display XIX-2. To protect patient safety and maintain essential services, UC medical centers were allowed to develop an alternate plan, which would generate the same level of savings as employee furloughs. Certain employees are exempt from the furlough plan, including most student employees, Lawrence Berkeley National Laboratory personnel, foreign national employees working with H visas, and employees whose funding comes entirely from extramural sponsored project funds. For those employees whose salaries are partially funded from extramural funds, the exclusion applies only to that portion of their salary.

DISPLAY XIX-2: RANGE OF FURLOUGH DAYS AND CORRESPONDING SALARY REDUCTION

Tier	Salary	Furlough Days	Salary Reduction
1	$0 – 40,000	11	4%
2	$41,000 – 46,000	13	5%
3	$46,001 – 60,000	16	6%
4	$60,001 – 90,000	18	7%
5	$90,001 – 180,000	21	8%
6	$180,001 – 240,000	24	9%
7	Over $240,000	26	10%

Note: Senior Management Group members will receive a maximum of 10 furlough days, regardless of pay scale.

Under a Furlough Exchange Program (FEP), certain faculty who are subject to the furlough and who receive extramural research funding, may be eligible to exchange furlough time with an equivalent amount of extramural funding. Under this program, savings from General Funds will still be realized, while faculty would devote extra effort towards their extramurally funded projects. For represented employees, implementation of the plan is subject to collective bargaining agreements and all applicable laws.

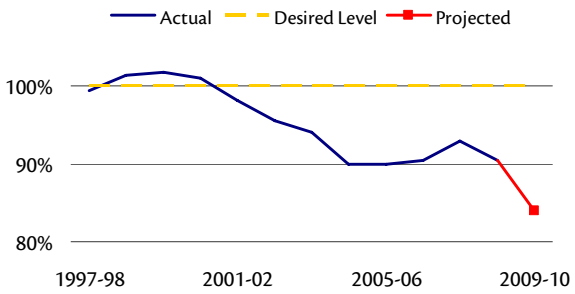
Faculty Salary Gap

In 2007-08, the University instituted a four-year plan to eliminate the 9.6% faculty salary lag that existed in 2006-07 and return faculty salaries to market. After one year of the plan in 2007-08, the faculty salary gap was reduced to 7.1%. However, the current fiscal crisis has delayed continuation of this plan, and the gap widened again to 9.5% in 2008-09. Without a general salary increase in 2009-10 and with implementation of the furlough plan, the gap is expected to widen further to at least 16%, as seen in Display XIX-3.

While the merit and promotion system for academic employees has been maintained, estimated at an annual cost of $30 million, the University is deeply concerned about the effects of the salary lag on faculty retention, particularly for UC's promising junior faculty, who often are supporting young families in a high-cost environment. A national economic recovery is likely to have daunting repercussions on recruitment and retention of high-performing faculty for UC. If and when endowments at private institutions recoup their losses and other states restore funding for public institutions, it is expected that those institutions will rapidly move to restore academic programs by recruiting faculty away from other universities. UC will likely find

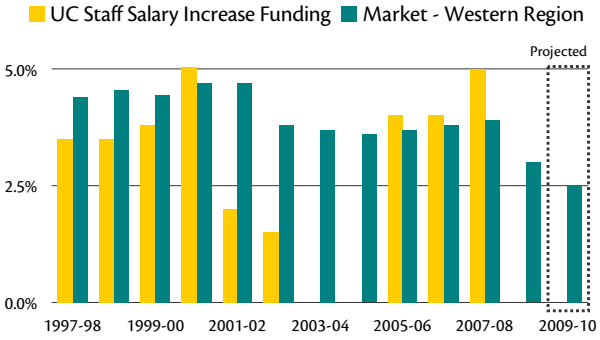
DISPLAY XIX-3: LADDER RANK FACULTY SALARIES AS A PERCENTAGE OF MARKET

After one year of the faculty salary plan, the market lag of UC's faculty salaries improved from 9.6% in 2006-07 to 7.1% in 2007-08. However, with no general range adjustments, the gap widened again to 9.5% in 2008-09. Without a general salary increase in 2009-10 and with implementation of the Furlough/Salary Reduction Plan, the gap is expected to widen further to 16%.



DISPLAY XIX-4: INCREASES IN FUNDING FOR STAFF SALARIES COMPARED TO MARKET

This display shows annual percentage increases in funding for UC staff salaries compared to increases in funding for salaries in the Western Region market. UC salary increases lagged in 9 out of the 13 years since 1997-98. In four of those years, UC was unable to provide any increases, resulting in significant market disparities. Not only is UC unable to provide general salary increases in 2009-10, but also staff salaries are expected to decrease 4% - 10% due to the one-year furlough plan.



(Source: World at Work Annual Salary Budget Survey. Represents data from over 800 employers from all sectors in the western United States.)

itself struggling to retain its own high quality faculty. Additionally, recruitment of new faculty, which has been significantly slowed due to the fiscal crisis, remains a concern. Salaries that lag the market create major challenges in attracting the best faculty candidates.

Staff Salary Gap

The funding gap with respect to staff salaries in most workforce segments presents a similar competitive market problem for the University. Compared to market data, annual salary increase funding for UC staff employees lagged in 9 out of the 13 years since 1997-98, as noted in Display XIX-4. Market salaries over the period have been increasing at nearly 4% per year, but funding for UC staff salary increases has not kept pace. In fact, for several years in the middle of this decade, UC was unable to provide any increases.

In Fall 2005, the Regents adopted a plan calling for annual increases of 5% - 5.5% in staff salaries over a period of 10 years to close the staff salary gap. From 2005-06 to 2007-08, with funding from the Compact, UC slightly exceeded market increases, but during 2008-09 and 2009-10, no funding was provided for staff salary increases. Further implementation of the Regents' plan has been delayed due to the ongoing fiscal crisis. In fact, in 2009-10, as a result of the one-year furlough program, staff salaries are estimated to decrease by 7%, based on average salaries.

Similar to faculty, retention and recruitment of staff has become a heightened concern due to the salary lag. Economic recovery in California will generate new opportunities for staff, and the University may face challenges in retaining its employees without competitive salaries.

For employees represented by unions, the University has collective bargaining agreements that specify compensation increases for their members. Non-represented employees are eligible for salary increases through performance-based merit salary programs. These are funded from a pool created by combining budgeted funds for general range adjustments with those provided for merit increases.

Actual merit or other salary and benefit actions for University employees may be subject to notice, meeting-and-conferring, and/or consulting

requirements under the Higher Education Employer-Employee Relations Act (HEERA).

Employee and Retirement Benefits

Employee Benefits

As part of the total compensation package for faculty and staff, the University offers competitive health and welfare benefits.

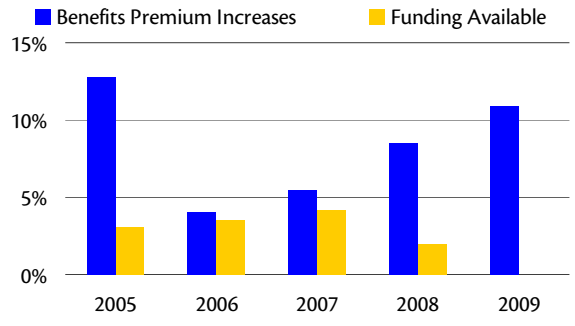
Depending upon appointment type, the University may pay as much as 40% of an employee's annual base salary in employer benefit costs over and above salary. While salary packages lag the market for both faculty and staff, the total compensation package at the University remains competitive when benefits are included.

Chief among these benefits are medical and dental plans for active employees. The University has a continuing commitment to controlling employee health benefit costs; however, these efforts have been impacted by state and national trends of dramatically increasing health insurance costs. Increases in health premiums have outpaced core funding available in each of the last five years, as seen in Display XIX-5.

While premium increases for employee health benefits are estimated to increase by 11% to 12% in 2009-10, State funding reductions mean that no new funds are available to cover those cost increases. As a result, campuses have been and will continue to be forced to redirect funds from existing programs to address these costs; however, it is likely that some of the increases in health benefit costs will again be borne by employees themselves. This would result in further decreases in employee take home pay, in the absence of general salary increases and with the implementation of the furlough plan.

DISPLAY XIX-5: HEALTH BENEFIT COST INCREASES AND CORE FUNDING AVAILABLE

UC's share of annual increases in medical and dental benefit premiums have outpaced the core funding available to cover costs.



Implemented in 2002-03, UC's progressive medical premium rate structure is designed to help offset the impact of the employee's share of the medical plan premiums on lower paid employees. UC pays approximately 88% of medical premiums for employees on an aggregate basis, and has made a strategic decision to cover an even larger portion of the premium for those in lower salary brackets.

While the University has historically had a very competitive benefit package compared to those of other institutions, it is anticipated that within the next few years there will be an unavoidable decrease in the employer-provided value of the overall benefit package due in part to increases in employee paid health premiums.

Annuitant Health Benefits

As part of the benefit package, UC provides medical and dental benefits for approximately 51,000 eligible retirees and their dependents. Consistent with the principles of the Compact, the University is requesting funding that is equivalent to the funding provided for the State's annuitants. The Department of Finance traditionally calculates these costs based on the most recent available data.

Currently, the University pays its share of health benefits for annuitants on a "pay-as-you-go" basis, whereby current plan premiums and costs are paid from an assessment on payroll. During 2008-09, the University's expenses related to annuitant health totaled $225 million from all fund sources. Under the current program, costs are projected to increase to $295 million in 2010-11 and to $416 million by 2013-14.

General Accounting Standards Board (GASB) rules require the University to report in its financial statements all post-employment benefits (OPEB) expense, such as retiree medical and dental costs, on an accrual basis over the employees' years of service, along with the related liability, net of any plan assets. Currently, the OPEB liability amounts to $13 billion, which is expected to increase to $19 billion by 2013-14. In 2007-08, the University began recording this unfunded liability in its financial statements. The OPEB accrual may be amortized over a number of years, and thus far, the University's financial statements have recorded $2.3 billion of the total liability.

Reinstatement of Retirement Contributions

Prior to November 1990, contributions to the University of California Retirement Plan (UCRP) were required from all employer fund sources and from member employees. In the early 1990s, the Regents suspended University contributions to UCRP after the actuaries confirmed that UCRP was adequately funded to provide plan benefits for many years into the future. At the same time, the Regents directed that employee contributions be redirected to individual accounts in the Defined Contribution (DC) Plan. As part of this decision, the Regents reserved the right to reinstate contributions to UCRP to maintain the Plan's funded status.

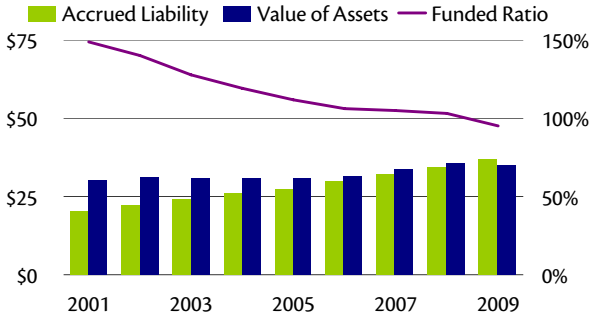
Under the DC Plan, contributions from employees have been held in accounts and invested at an employee's direction. DC Plan accumulations are available for distribution starting at retirement or termination of employment.

The University estimates that over the 19 years during which employer contributions were not required, the State has saved over $2 billion in contributions for those UCRP members whose salaries were state funded.

However, turmoil in the financial markets and the increasing liability each year (Normal Cost) has reduced the funded status of UCRP. Plan liabilities currently increase by approximately $1.3 billion annually as active members earn an additional year of service; currently UCRP pays out $1.5 billion annually in retirement benefits.

DISPLAY XIX-6: UCRP HISTORICAL AND PROJECTED FUNDED STATUS
(DOLLARS IN BILLIONS)

The surplus in the UC Retirement Plan has diminished over time and is estimated to have fallen to 95% funded level in July 2009. Even with Employer and employee contributions to the UCRP beginning in April 2010, the funded status of the plan may continue to drop.



The actuarial funded status of UCRP fell from 154% in July 2000 to an estimated 95% in July 2009, and projections indicate that the plan could fall to 60% funded status by 2013, an $18 billion shortfall, even with the restart of contributions and Plan earnings of 7.5% each year. Recognizing the need to ensure a strong and viable retirement plan, the Regents approved a series of actions to address projected funding shortfalls in the plan, beginning in March 2006, when the Board approved a targeted funding level of 100% and the resumption of contributions, subject to funding availability. In 2008, the Regents adopted a new funding policy that would determine recommended contributions based on the plan's Normal Cost and requested $228 million from the State for retirement contributions for 2009-10, which was equivalent to the proposed employer contribution rate of 9.5%. The 2009-10 Governor's Budget acknowledged the need to provide $96 million

for its share of employer contributions, representing a start rate of 4% to begin on July 1, 2009, rather than the proposed 9.5% employer rate. However, the Governor's budget proposal reduced this amount to $20 million.

Based on this amount, the Regents in February 2009 approved a plan to begin contributions to UCRP in April 2010, with employer funding sources contributing 4% and employees 2% (in aggregate). However, shortly after the Regents approved the restart of contributions, the Legislature rejected the Governor's proposal to fund the $20 million. Despite this action by the State, it is anticipated that contributions will begin in April 2010, with the State's share to be funded by redirecting resources from existing programs and student fee increases.

For 2010-11, the State and student fee-supported compensation base is estimated to be $2.7 billion. Based on a total contribution rate of 6%, with employees contributing 2% and UC contributing 4%, the State share would be $96 million. UC would need to identify an additional $13 million from UC General Funds and $199 million from other fund sources. The core funds budget plan for 2010-11 reflects the $95.7 million needed from the State plus the $13.2 million needed from UC General Fund sources, for a total of $108.9 million.

Beginning in 2008-09, GASB rules required the University to report accrued / unfunded pension liabilities on its financial statements, similar to the OPEB accrual. For 2008-09, the pension accrual totaled $69 million. The extent to which this accrual grows is dependent on future valuations of the UCRP, as well as employer and employee contributions to the retirement plan.

Post-Employment Benefits Task Force

As contributions to the UC retirement plan restart in April 2010 and retiree health benefit costs continue to increase, sustaining these benefits is increasingly difficult. To help the University develop a comprehensive long-term approach to post-employment benefits, both pension and retiree health, at the request of the Regents, President Yudof established a task force in 2009 to study and recommend funding, policy, and benefits design alternatives. The task force is expected to consider issues of market competitiveness, workforce behavior and development, affordability, and sustainability. A report is expected to be available by Fall 2010.

Non-Salary Price Increases

Prices of equipment, supplies, utilities, and other non-salary items purchased by the University are also rising. Non-salary items include instructional equipment and supplies such as chemicals, computers, or machinery, library materials, and purchased utilities. Increases in non-salary costs without corresponding increases in budgeted funds oblige campuses to find alternative fund sources or efficiencies to cover these costs.

Historically, price increases are included as part of the University's base budget adjustment; however, the continuing State fiscal crisis means funding for a price increase is not likely for 2010-11. Based on an average non-salary price increase of 3%, cost increases are estimated at $24.6 million for 2010-11. The Consumer Price Index (CPI) showed a decrease of 1.9% in 2008-09 owing primarily to steep declines in the latter half of 2008. Since the beginning of 2009, the CPI has slowly risen. Costs of goods and services employed for education, as measured by the Higher Education Price Index (HEPI), typically rise faster than the CPI, increasing by 2.3% in 2008-09. In addition to funds for other non-salary items, the budget plan includes $13 million to address an anticipated 6.5% increase in the price of purchased utilities. Since 1999-00, prices of electricity and natural gas have risen 140%, resulting in large cost increases for UC campuses despite only modest increases in consumption.

"UC is proud to partner with the U.S. Department of Energy in addressing the many scientific and technological challenges facing the country, ranging from renewable energy sources and greater energy efficiency to climate change, advanced computing, nuclear nonproliferation, and breast cancer detection. Our nation is stronger, safer, and more technologically advanced through this partnership with the federal government."

—Bruce Darling
University of California
Executive Vice President of Laboratory Management

DEPARTMENT OF ENERGY LABORATORY MANAGEMENT

For more than 60 years, the University has played a major public service role as a manager of three Department of Energy (DOE) National Laboratories. UC's partnership with the DOE has provided extensive research opportunities for faculty and, in consideration for the University's management service, UC generates revenue to support operations and the research enterprise.

Lawrence Berkeley National Laboratory (LBNL). The University was awarded a new management and operating contract for LBNL on April 19, 2005. This contract, which has an initial five-year term, has been extended through 2014, following a favorable DOE evaluation. The contract may be extended further through an award term provision that adds contract years based on excellent performance for additional years not to exceed 20 years in total.

Los Alamos National Security and Lawrence Livermore National Security Limited Liability Companies. The University's original contracts for the Los Alamos National Laboratory (LANL) and the Lawrence Livermore National Laboratory (LLNL) expired on May 31, 2006 and September 30, 2007, respectively. Both laboratories are now managed by limited liability companies (LLCs) partially owned by the University. The Los Alamos National Security LLC (LANS) was awarded a new management and operating contract for LANL on December 21, 2005 and commenced full operations on June 1, 2006. The Lawrence Livermore National Security LLC (LLNS) was awarded a new management and operating contract for LLNL on May 8, 2007, and commenced full operations on October 1, 2007. Both contracts have initial seven-year terms and may be extended further based on performance through an award term provision for additional years not to exceed 20 years in total. In 2008-09, the LANS contract was extended to eight years after a DOE evaluation.

Revenue Streams

Indirect Cost Reimbursement
Under its contract for LBNL and its earlier contracts for LANL and LLNL, the University received indirect cost reimbursement from DOE. Earlier this decade, this funding amounted to more than $10 million annually. In accordance with a *Memorandum of Understanding between the University and the State Department of Finance*, this indirect cost reimbursement contributes to UC General Fund income and helps to support the University's operating budget, in particular its research programs. Since the University no longer directly manages LANL and LLNL, the University no longer receives an indirect cost reimbursement related to LANL and LLNL.

Furthermore, beginning in October 2009, the DOE plans to move from indirect cost reimbursement to direct budget appropriations for corporate services rendered to LBNL by UC. For the first quarter of 2009-10, the indirect cost reimbursement for LBNL provided $285,000

to support the UC General Fund budget. Negotiations with the DOE are ongoing regarding the amounts of direct appropriation, which will replace the indirect cost reimbursement. The University could suffer a loss if the future direct reimbursement amounts are less than the earlier indirect reimbursements.

DOE Management Fee

Performance management fees from LBNL are gross earned amounts before the University's payments of unreimbursed costs. During 2010-11, up to $4.5 million in management fee revenue related to LBNL will be used for costs of LBNL research programs, reserves for future claims, and unallowable costs associated with LBNL.

LLC Income

Net income to UC from LANS and LLNS reflects UC's net share of fee income remaining after payment of unreimbursed costs incurred by the LLCs at the two laboratories and shares to other LLC owners. UC's LLC income is estimated to be $31.9 million for 2009-10, with $1.1 million in carryover funds from the previous year. At the May 2009 meeting, the Regents approved an expenditure plan for the total of $33 million, as shown in Display XX-1.

UC's projected fee income share from LANS and LLNS for 2010-11 is not available until first quarter 2010. Because the accepted LLC proposals provided for a smaller fee opportunity after the first three years of each contract, the amount of net fee income may decrease in future years unless laboratory budgets increase. An expenditure plan for 2010-11 income will be presented to the Regents in May 2010.

Federal Economic Stimulus (ARRA) Funds.

LBNL has been successful in acquiring federal economic stimulus funds totaling over $220 million as of October 2009. Much of this funding will support laboratory construction and infrastructure. Federal ARRA funds are temporary in nature and these funds are not expected in future years.

DISPLAY XX-1: EXPENDITURE PLAN FOR INCOME FROM LANS AND LLNS
(DOLLARS IN MILLIONS)

Research	$21.50
Laboratory Oversight	$3.85
Supplemental compensation	$2.20
Contingencies (post-contract, research)	$5.45
Total	$33.00

"The State's historic investment in UC has made it the leading public university system in the world. That historic commitment must be renewed."

—Mark G. Yudof
University of California
President

HISTORICAL PERSPECTIVE

Historically, the University's State-funded budget has reflected the cyclical nature of the State's economy. During times of recession, the State's revenues have declined and appropriations to the University either held constant or were reduced. When the State's economy has been strong, there have been efforts to "catch up." The last four decades have all begun with significant economic downturns followed by sustained periods of moderate, and sometimes extraordinary, economic growth. This chapter details the history of State funding of the University[1].

1967-1990: Four Cycles of Crisis
The University experienced budget reductions of about 20% in real dollars during the late 1960s and early 1970s. Faculty positions and research funding were cut, and the student-faculty ratio deteriorated by about 20%.

In the late 1970s and early 1980s, the University again experienced a series of budget cuts. By the early 1980s, faculty salaries lagged far behind those at the University's comparison institutions and top faculty were being lost to other institutions; buildings needed repair; classrooms, laboratories, and clinics were poorly equipped; libraries suffered; and the building program virtually came to a halt.

The situation improved significantly in the mid-1980s when a period of rebuilding was initiated. Faculty and staff salaries returned to competitive levels; funds became available for basic needs such as instructional equipment replacement and building maintenance; and research efforts were expanded. The capital budget also improved dramatically. There was significant growth in private giving, and the University once again became highly competitive for federal research funds. By the late 1980s, however, the situation began to change. Fiscal problems at the State level led to a growing erosion of gains made during the mid-1980s. By 1989-90, UC was struggling with the early stages of a fiscal problem that subsequently turned into a major crisis.

1990-91 through 1994-95: Budget Crisis
The University experienced dramatic shortfalls in State funding during the first four years of the 1990s. Although State funding increased in 1990-91, it was below the level needed to maintain the base budget and fund a normal workload budget. Over the next three years, State funding for UC dropped by $341 million. At the same time, the University had to cope with inflation, fixed cost increases, and workload growth. Consequently, the University made budget cuts totaling $433 million, equivalent to roughly 20% of its State General Fund budget in 1989-90, as depicted in Display XXI-1. (It should be noted by way of comparison to the current fiscal crisis, the proportion by which the

[1] Information about State funding is also available in the *Sources of University Funds* chapter.

DISPLAY XXI-1: PERMANENT CUTS TO UC BUDGETS
1990-91 THROUGH 1994-95
(DOLLARS IN MILLIONS)

1990-91	5% cut in research, public service, and administration.	$ 25
1991-92	Workforce reduction in both instructional and non-instructional programs; cut in non-salary budgets; undesignated cut.	120
1992-93	Permanent cut of $200 million phased in over two years.	200
1993-94	Reduction in campus and Office of the President budgets, resulting in further workforce reductions.	35
1994-95	Reductions in campus and Office of the President budgets in order to fund restoration of salary funds cut temporarily in 1993-94.	53
	TOTAL	**$433**

University's budget was reduced over a four-year period in the 1990s is equivalent to the one-year proportional reduction in the current fiscal year).

At the time, the budgetary losses during the early 1990s were unprecedented. The University's 1993-94 State General Fund budget was less than it was in 1987-88, even though in the interim there had been inflation, other cost increases, and enrollment growth. The University's budget would have been about $900 million greater in 1993-94 if the State had maintained the base and funded normal cost increases and workload growth. The University coped with this shortfall in ways that reflected the limited nature of its options in the short term. As illustrated in Display XXI-2, about half of the loss was taken through budget cuts, approximately another quarter by providing no cost-of-living increases for employees, and the remaining quarter was made up through student fee increases accompanied by increases in student financial aid.

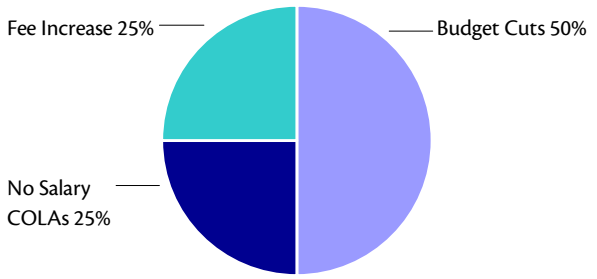
While regrettable, the fee increases were the only potential source of increased revenue to address budget cuts of such significant magnitude. At the same time, the University mitigated the impact of these fee increases on financially needy low- and middle-income students through a significant increase in financial aid grants (as opposed to loans). Over five years, through 1994-95, financial aid grants and other gift aid funded from University sources increased by approximately $118 million, or nearly 170%, to help mitigate the impact of increased fees.

During the early 1990s, UC's General Fund workforce declined by a net total of approximately 5,000 full-time equivalent (FTE) employees. The instructional program was protected to the extent possible by making deeper cuts in other areas such as administration, research, public service, student services, and facilities maintenance. In particular, administration was assigned deep cuts both on the campuses and in the Office of the President. Although instructional resources were eroded by the budget cuts, the University honored the Master Plan by continuing to offer a place to all eligible California residents who sought admission at the undergraduate level and providing students with the classes they needed to graduate on time.

In 1994-95, after years of steady erosion, the University's budget finally stopped losing ground. For the first time in four years, the State provided UC with a budget increase of about 3%. Base salary levels were restored following a temporary

DISPLAY XXI-2: ACTIONS TAKEN TO ADDRESS THE BUDGET SHORTFALL OF THE EARLY 1990s

During the early 1990s, UC addressed the cumulative budget shortfall of $900 million through reductions to academic programs and administrative budgets, increases in student fees, and foregone cost-of-living adjustments for faculty and staff.



salary cut in 1993-94, and funding for faculty and staff cost-of-living salary increases of about 3% was provided for the first time since 1990-91. The student fee increase was held to 10%, and, once again, increases in financial aid accompanied the fee increase, helping to offset the impact on needy students.

While the 1994-95 budget represented a substantial improvement over previous years, the University nonetheless remained in precarious financial condition. The University's share of the State General Fund budget had declined by 1% to 4.3%. Faculty salaries lagged the average of the University's comparison institutions by 7%, the workforce had been reduced by 5,000 FTE without a corresponding decline in workload, and the budget was severely underfunded in several core areas that have a direct relationship to the quality of instructional programs — instructional equipment, instructional technology, libraries, and facilities maintenance, for example.

1995-96 through 1999-00: The Compact with Governor Wilson

A major turning point came with the introduction of Governor Wilson's 1995-96 budget, which included a Compact with Higher Education that ultimately was operational through 1999-00, described in Display XXI-3. Its goal was to provide fiscal stability after years of budget cuts and allow for enrollment growth through a combination of State General Funds and student fee revenue.

The funding provided under the Compact was to be sufficient to prevent a further loss of financial ground as the University entered a period of moderate enrollment growth of about1% per year. The Compact was not intended to provide restoration of funding that had been cut during the early 1990s, but it did provide UC with much-needed fiscal stability after years of cuts as well as a framework to begin planning for the future.

DISPLAY XXI-3: PROVISIONS OF THE COMPACT UNDER GOVERNOR WILSON (1995-96 THROUGH 1999-00)

- State funding increases averaging 4% per year
- Student fee increases averaging about 10% annually
- Further fee increases in selected professional schools
- At least 1/3 of new student fee revenue dedicated to financial aid
- Added financial aid through State Cal Grant Program
- Additional funding and deferred maintenance
- $10 million budget reduction each year for four years
- $150 million a year for capital budget
- Priority for life-safety and seismic projects, infrastructure, and educational technology

The Compact of 1995-2000 was remarkably successful, allowing the University to maintain the quality, accessibility, and affordability that have been the hallmarks of California's system of public higher education. The University enrolled more students than the Compact anticipated, particularly at the undergraduate level, and the State provided funding to support them. Faculty salaries were restored to competitive levels, allowing the University to once again recruit the nation's best faculty. Declining budgets were stabilized and further deterioration of the University's budget was halted.

In fact, the Legislature and the Governor not only honored the funding principles of the Compact, but also provided funding above the levels envisioned in the Compact. This additional funding allowed buyouts of student fee increases, even allowing for reductions in student fees for California resident students, helped restore UC faculty salaries to competitive levels more quickly, provided $35 million for a number of high priority research efforts, and increased funding for K-14 and graduate outreach by $38.5 million to expand existing programs and develop new ones.

In all, the State provided nearly $170 million in funding above the level envisioned in the Compact. In addition, General Obligation bonds

and/or lease revenue bonds were provided each year for high priority capital projects.

2000-01: A New Partnership Agreement with Governor Davis

Governor Davis entered office in January 1999 with a commitment to improve California public education at all levels. For UC, his commitment manifested itself in a new Partnership Agreement, described in Display XXI-4, a comprehensive statement of the minimum resources needed for the University to maintain quality and accommodate enrollment growth projected throughout the decade. The Agreement was accompanied by the expectation that the University would manage these resources in such a way as to maintain quality, improve relationships with K-12 schools, and increase community college transfer, among other goals.

The significant infusion of State funding over this period was welcome support for the University. Faculty salaries had once again reached competitive levels, the University was beginning to address salary lags for staff employees, enrollment growth was fully funded, progress was being made to reduce shortfalls in funding for core areas of the budget, student fees were kept low, and support was provided for a variety of research and public service initiatives of importance to the State and the University.

2001-02 through 2004-05: Another State Fiscal Crisis

Unfortunately, by 2001-02, the State's fiscal situation began to deteriorate. The University based its budget request on the Partnership Agreement and included information about other high priorities for the University and the State to be funded when the State's economic situation improved. While the Governor's Budget, released in January 2001, proposed full funding for the University's budget request as well as additional funds for initiatives beyond the Partnership

DISPLAY XXI-4: THE PARTNERSHIP AGREEMENT WITH GOVERNOR DAVIS

- 4% increase to the base budget each year to provide adequate funding for salaries and other cost increases
- Marginal cost funding for enrollment growth
- Further 1% annual increase to the base budget to address chronic underfunding of State support for core areas of the budget
- Acknowledgement of the need to either increase fees or provide equivalent revenue
- Commitment to provide State support for summer instruction
- State bond funding of $210 million annually

DISPLAY XXI-5: STATE FUNDING CHANGES UNDER THE PARTNERSHIP AGREEMENT, 2000-01

(DOLLARS IN THOUSANDS)

For the first year of the Partnership, the University's basic budget request was fully funded consistent with the funding principles of the Partnership. The State was also provided additional funding in several areas.

Partnership Funding	
Annuitant Health and Dental Benefits	$1,753
Base Budget Increase	104,437
Core Academic Support	26,109
Enrollment Growth	51,234
Other Initiatives	
K-12 Internet Connectivity	32,000
UC Internet Connectivity (One-Time)	18,000
California Subject Matter Project	40,000
MIND Institute (One-Time)	28,000
Professional Development Programs	31,000
Teaching Hospitals (One-Time)	25,000
Academic Support	20,000
Buyout of 4.5% Student Fee Increase	19,300
Additional 1.5% for Low-Paid Workers	19,000
Research Programs	35,000
Other Academic& Outreach Initiatives	6,109
Summer Session Fee Buy-down	13,800
Charles R. Drew Medical Program	7,850
UC Merced Base Budget Funding	9,900
Geriatrics Endowed Chairs (One-Time)	6,000
English Learners Teacher's Institute	5,000
Expand AP Program Development	4,000
Outreach	2,000
Algebra and Pre-Algebra Academies	1,700
Summer School for Math and Science	1,000
Governor's Education Programs	1,000
New Teacher Center at UCSC	600
Reapportionment Data Base	100

Total State Funding = $3.131 billion

Agreement, by the time the May Revise was issued, the State's financial situation had weakened to the point of requiring reductions to funding levels the Governor had originally proposed, and the State was fully engaged in a major fiscal crisis that was to last four years.

The final 2001-02 budget was the first budget in seven years that did not provide full funding of the Partnership Agreement or the Compact (see Display XXI-6). Partnership funds totaling $90 million were eliminated from the University's proposed budget, thereby significantly reducing the funding available for compensation and other fixed costs and eliminating the additional 1% ($30 million) originally proposed for core needs.

The budget did, however, provide an increase of $131 million, including partial funding of the Partnership as well as funding above the Partnership for initiatives representing high priorities for the Governor and the Legislature. Several initiatives also were funded above the level called for under the Partnership, totaling $75 million in one-time and $3 million in permanent funds.

DISPLAY XXI-6: STATE FUNDING CHANGES UNDER THE PARTNERSHIP AGREEMENT, 2001-02
(DOLLARS IN THOUSANDS)

Partnership Funding	
Base Increase (4%)	$59,853
Enrollment Growth	65,022
Annuitant Health and Dental Benefits	829
Reductions	
Increased Natural Gas Costs	50,620
California Subject Matter Project	(250)
Professional Development Institutes	(11,000)
Undesignated Reduction	(5,000)
K-12 Internet	(4,850)
Outreach Redirection	(3,250)
Labor Studies	(500)
Substance Abuse Research	(310)
Other Initiatives	
Buyout of 4.9% Student Fee Increase	21,542
Year-round Instruction	20,654
MESA and Puente	1,500
Clinical Teaching Support Hospitals	5,000
Spinal Cord Injury Research	1,000
Aging Study	250
CPEC Eligibility Study	28
UC Merced (one-time)	2,000
Total State Funding = $3.32 billion	

Funds for strengthening the quality of undergraduate education were not provided, however, and UC funding available for debt financing for deferred maintenance projects was reduced from $6 million to $4 million to help fund compensation increases. UC's State General Fund budget for 2001-02 totaled $3.3 billion.

By the time development of the 2002-03 budget began, the State's fiscal situation had deteriorated markedly, necessitating the unusual action on the part of the Governor and the Legislature to adopt mid-year budget reductions for UC totaling $45.8 million for the 2001-02 budget. The State's budget deficit for 2002-03 eventually grew to $23.5 billion.

The final budget act for the 2002-03 budget, described in Display XXI-7, provided funding to the University for a 1.5% increase to the basic budget — instead of the 4% called for in the Partnership Agreement — to fund compensation, health and welfare benefits, and other increases. Increases to UC's State General Fund budget totaled $149 million. While the increases to the budget were welcome, the budget also included base budget reductions totaling $322 million. State General Funds provided to the University in the 2002-03 Budget Act totaled $3 billion.

Mid-year cuts instituted in December 2002 (though not formally approved by the Legislature until March 2003) included $70.9 million in further base budget cuts for UC. In addition to cuts targeted at specific programs, $19 million was designated as an unallocated reduction, which the University offset by instituting an increase in mandatory systemwide student fees.

DISPLAY XXI-7: STATE FUNDING CHANGES UNDER THE PARTNERSHIP AGREEMENT, 2002-03
(DOLLARS IN THOUSANDS)

Partnership Funding	
Annuitant Health and Dental Benefits	$16,824
Enrollment Growth	69,201
Reductions	
Base Increase (4% reduced to 1.5%)	47,590
Base Reduction Offset by Fee Increases	(19,000)
Core Needs (one-time reduction)	(29,000)
Professional Development Institute	(50,866)
Research	(48,482)
Academic and Institutional Support	(20,000)
Student Financial Aid	(17,000)
Outreach	(14,396)
Student Services	(6,336)
K-12 Internet2	(6,250)
AP Online – Revert Savings (one-time)	(4,000)
Public Service Programs	(2,289)
California Subject Matter Project	(503)
Other Initiatives	
Year-round Instruction	8,443
Dual Admissions Program	2,500
CA Institutes for Science and Innovation	4,750
CPEC Eligibility Study	7
UC Merced (one-time)	4,000
Total State Funding = $3.15 billion	

By the time the mid-year budget cuts were approved for 2002-03, the State was facing a deficit for 2003-04 that was unprecedented in magnitude. With the release of the May Revision, the Governor estimated the deficit to total $38.2 billion. For the University, cuts proposed by the Governor in January totaling $373.3 million and affecting nearly every area of the budget were all approved in the final budget act, including $179 million in cuts offset by increases in student fees that otherwise would have been targeted at instructional programs. The Regents again adopted an increase in mandatory systemwide student fees to offset this reduction in 2003-04.

The University took $34.8 million of the total cut that had been targeted at increasing the University's student-faculty ratio as an unallocated reduction instead. In addition to cuts proposed by the Governor, the Legislature proposed $98.5 million in unallocated cuts that ultimately were included in the final budget. Of the total, $80.5 million was designated as one-time and $18 million was designated as permanent.

The final budget did include some funding increases (see Display XXI-8), but most of the Partnership was not funded and the $29 million reduction in 2002-03 to core areas of the budget that had previously been specified as a one-time cut was not restored. The 2003-04 State General Fund budget approved in the budget act for the University was $2.87 billion, $282 million less than the State General Fund budget for 2002-03 adopted in September 2002.

A final round of mid-year reductions occurred in December 2003, totaling $29.7 million. While these mid-year reductions originally were intended by the Governor to be permanent reductions, the budget agreement for 2004-05 restored funding for some programs. Consequently, the mid-year

DISPLAY XXI-8: STATE FUNDING CHANGES UNDER THE PARTNERSHIP AGREEMENT, 2003-04
(DOLLARS IN THOUSANDS)

Partnership Funding	
Annuitant Heath and Dental Benefits	$16,089
Enrollment Increase	$117,200
Reductions	
Base Budget Reduction	($160,098)
Unallocated Reduction	($149,002)
Core Academic Support	($29,000)
Outreach	($45,532)
AP Online	($4,438)
Student Services	($19,008)
Research	($28,457)
Public Service	($12,500)
Academic and Institutional Support	($16,475)
California Subject Matter Project	($15,000)
K-12 Internet	($6,600)
Labor Institutes	($2,455)
Teaching Internships	($1,300)
San Diego Supercomputer	($360)
Other Initiatives	
UC Merced Base Budget Adjustment	100
UC Merced (one-time)	$7,300
Total State Funding = $2.868 billion	

reductions were taken on a temporary basis in 2003-04 and only the $15 million associated with the unallocated reduction was ultimately approved as a permanent reduction. That reduction was taken as a temporary unallocated reduction for 2003-04 and offset on a permanent basis as part of the student fee increases approved for 2004-05.

The State remained in fiscal crisis for 2004-05 and the reductions to the University's budget were once again significant, as shown in Display XXI-9. State funds for 2004-05 totaled $2.72 billion, $147 million less than the funding level provided in the previous year. Base budget reductions included another cut to research and a reduction to academic and institutional support. Once again, another cut had originally been targeted at increasing the University's student-faculty ratio, but was instead taken by the University as an unallocated reduction.

Also included in the total reduction to the University's budget was $183.5 million in cuts offset by increases in student fees that otherwise would have been targeted at instructional programs. Undergraduate fees rose 14%, graduate academic fees rose 20%, and graduate professional fees rose 30%, which still generated $5 million less than expected. As a result of the shortfall, campuses were asked to absorb a temporary unallocated reduction of $5 million until fees could be raised again in 2005-06. Nonresident tuition was also increased by 20% in 2004-05 for undergraduate and graduate academic students.

DISPLAY XXI-9: STATE FUNDING CHANGES UNDER THE PARTNERSHIP AGREEMENT, 2004-05
(DOLLARS IN THOUSANDS)

Partnership Funding	
Annuitant Health and Dental Benefits	$34,416
Reductions	
Base Reduction Offset by Student Fees	($133,702)
Research	($11,626)
Academic & Institutional Support	($45,435)
Subsidy Reductions/Eliminations	($40,782)
Increase Student: Faculty Ratio	($35,288)
Reduce Freshman Enrollment 10%	($20,790)
Outreach/Reinstatement of Enrollment	$8,209
Unallocated Shift to Main Support	($18,000)
Eliminate K-12 Internet	($14,300)
Labor Institutes	$1,800
Other Initiatives	
UC Merced (one-time)	$10,000
Total State Funding = $2.699 billion	

One of the most difficult issues facing the University in the 2004-05 budget related to funding for enrollment. For the first time in recent history, the University was asked to reduce enrollment to help meet budget reductions. The Governor's January budget had proposed a 10%, or 3,200 FTE, reduction in University freshman enrollments and called for the campuses to redirect these students to the California Community Colleges for their first two years of study before accepting them to enroll for their upper division work at UC, a program referred to as the Guaranteed Transfer Option (GTO). As part of the actions taken on the final budget for 2004-05, the Governor and the Legislature reached a compromise that lowered the reduction in enrollment from 3,200 FTE to 1,650 FTE, which allowed the University to offer freshman admission to all students who originally received the GTO offer and preserve the Master Plan guarantee of access for eligible students.

Following the compromise, the University immediately sent offers for freshman admission to all eligible students who had not yet received a UC freshman offer. Among the roughly 7,600 applicants initially offered GTO and later offered freshman admission, approximately 1,850 enrolled at UC during 2004-05. Another 500 remained as GTO students with plans to later transfer to the University as upper division students.

Among other actions, the Governor's January budget proposed elimination of all State funds for the Institute for Labor and Employment (ILE) and student academic preparation. As part of the final budget package, the Governor and the Legislature

assigned ILE a $200,000 reduction and cut student academic preparation by only $4 million, leaving the program with a total of $29.3 million for 2004-05. The final budget did, however, eliminate all remaining funding for the Digital California Project (K-12 Internet) from UC's budget.

Also, the one-time reduction of $80.5 million from 2003-04 was restored, consistent with the prior year budget act and, consistent with past practice, funding for annuitant health benefits and lease revenue bond payments was provided.

With the 2004-05 budget, as a result of the State's fiscal crisis, the University's State General Fund budget was nearly $1.5 billion below what it would have been if a normal workload budget had been funded for the previous four years. About one-third of this shortfall was accommodated through base budget cuts to existing programs; and one-fourth was addressed through student fee increases. The remainder represented foregone salary and other unfunded cost increases.

A New Compact with Governor Schwarzenegger

As the State's economic recovery remained slow, the Governor's proposed solution to the overall deficit included major budget reductions in most areas of the budget, heavy borrowing, and several one-time actions that would only delay further cuts into future years. The University was gravely concerned about the future of the institution and the potential long-term effect on quality of the academic enterprise as the State fought its way out of its economic crisis over the next several years. Governor Schwarzenegger was equally concerned about the University's future and asked his administration to work with the University and with the California State University on a new long-term funding agreement for the four-year institutions.

A new higher education Compact was announced by Governor Schwarzenegger in May 2004 (detailed in Display XXI-10). Negotiation of the Compact with Governor Schwarzenegger helped stem the tide of budget cuts that had prevailed for four years.

DISPLAY XXI-10: PROVISIONS OF THE COMPACT UNDER GOVERNOR SCHWARZENEGGER (2005-06 THROUGH 2010-11)

- Base budget adjustments of 3% in 2005-06 and 2006-07 and 4% for 2007-08 through 2010-11
- Additional 1% base budget adjustment for annual shortfalls in core areas beginning in 2008-09 and continuing through 2010-11
- Marginal cost funding for enrollment growth of 2.5% per year
- Student fee increases of 14% in 2004-05 and 2005-06 for undergraduates, 20% in 2004-05 and 10% in 2005-06 for graduate students, and fee increases consistent with Governor's proposed long-term student fee policy beginning in 2007-08
- Annual adjustments for debt service, employer retirement contributions, and annuitant health benefits
- One-time funds and new initiatives when the State's fiscal situation allowed
- At least $345 million of capital outlay annually

According to the Compact, beginning in 2007-08, the University was to develop its budget plan each year based on the assumption that fees would be increased consistent with the Governor's proposed long-term student fee policy that student fee increases should be equivalent to the rise in California per capita personal income or up to 10% in years in which the University determines that to provide sufficient funding for programs and preserve academic quality would require more than the per capita increase rate. Revenue from student fees would remain with the University and would not be used to offset reductions in State support. The Compact also called for UC to develop a long-term plan for increasing professional school fees that considered average fees at other public comparison institutions, the average cost of instruction, the total cost of attendance, market factors, the need to preserve and enhance the quality of the professional programs, the State's need for more graduates in a particular discipline, and the financial aid requirements of professional school students. Revenue from professional school fees would

remain with the University and would not be returned to the State.

As with the first iteration of the Compact under Governor Wilson, the new Compact included accountability measures relating to issues that traditionally had been high priorities for the State, including maintaining access and quality; implementing predictable and moderate fee increases; enhancing community college transfer and articulation; maintaining persistence, graduation rates, and time-to-degree; assisting the State in addressing the shortage in science and math K-12 teachers; returning to paying competitive salaries and closing long-term funding gaps in core areas of the budget; and maximizing funds from the federal government and other non-State sources. The University was to report to the Administration and the Legislature on its progress in these areas each year.

With the 2005-06 budget, the Compact represented a true turning point. The first three years of the Compact were very good for the University, as shown in Display XXI-11. In each year, the State provided a normal workload budget and UC began to address major shortfalls that had occurred in the recent fiscal crisis.

Over that three-year period, base budget adjustments helped support salary cost-of-living, market-based, and equity salary adjustments, merit salary increases, health and welfare benefit cost increases, and non-salary price increases. Enrollment workload funding was provided to support significant enrollment growth. In addition, the marginal cost of instruction methodology was revised in 2006-07 to more appropriately recognize the actual cost of hiring faculty and include a component for maintenance of new space, which had not been adequately funded by the State in recent years. In each of the three years, UC was also able to direct $10 million for a multi-year plan to restore $70 million of unallocated reductions that had originally been targeted at instructional programs. Thus, $30 million has been put toward this goal. The State also funded several initiatives during this period, including the Science and Math

DISPLAY XXI-11: STATE FUNDING CHANGES UNDER THE COMPACT (2005-06 THROUGH 2007-08)

2005-06 State Funding	
Compact Funding	
Base Budget Adjustment (3%)	$76,124
Annuitant Health and Dental Benefits	521
Enrollment Growth	37,940
Reductions	
One-time enrollment shortfall	(3,764)
Other Initiatives	
Labor Institutes	(3,800)
Science and Math Initiative	750
UC Merced (One-Time)	14,000
COSMOS	(1)
Total State Funding = $2.839 billion	
2006-07 State Funding	
Compact Funding	
Base Budget Adjustment (3%)	$80,489
Enrollment Growth	50,980
Nursing Enrollment Growth	963
PRIME (MD) Enrollment Growth	180
Buyout of 8-10% Student Fee Increase	75,015
Other Initiatives	
Student Academic Preparation	17,300
Science and Math Initiative	375
CA Community College Transfer	2,000
Labor Institutes	6,000
Substance Abuse Research	4,000
UC Merced (One-Time)	14,000
Total State Funding = $3.069 billion	
2007-08 State Funding	
Compact Funding	
Base Budget Adjustment (4%)	$116,734
Annuitant Health and Dental Benefits	10,458
Enrollment Growth	52,930
Nursing Enrollment Growth	757
PRIME (MD) Enrollment Growth	570
Reductions	
UC-Mexico Research	(500)
Other Initiatives	
UC Merced (One-Time)	14,000
COSMOS	500
Total State Funding = $3.257 billion	

Initiative, the labor and employment institutes, and the Gallo Substance Abuse Program.

Funding for student academic preparation programs was a major issue in the budget process for all three years. In each year, the Governor's January budget proposed eliminating State funds for this program, leaving only the University's $12 million in support for student academic preparation as called for in the Compact. In the end, the final budget act each year restored the State support, and in 2006-07 included an augmentation of $2 million for community college academic preparation programs. In 2007-08, the University's budget included $500,000 to support an increase for the California State Summer School for Mathematics and Science (COSMOS), an intensive academic four-week residential program for talented and motivated high school students.

Also in 2007-08, the Governor's January budget had proposed elimination of State funds for labor and employment research, but the Legislature augmented the University's budget by $6 million to restore funding for labor research to its original level when the program was initiated in 2000-01.

In 2005-06 and 2007-08, fee increases were implemented, but in 2006-07, the State provided funding to avoid planned increases in student fees.

There were several initiatives the University had proposed in 2007-08 that were not funded in the final budget for that year. The University had requested that employer and employee contributions to the UC Retirement Plan be reinstated; however, the final budget did not include these funds, a need that had been estimated to be $60 million in the first year.

Also in 2007-08, the January Governor's budget proposed increasing core support for the four California Institutes for Science and Innovation by a total of $15 million to ensure that each Institute had a minimum level of support with which to operate, which in turn would serve as seed money to continue to attract funds from industry and governmental sources. Finally, for several years, the State budget had contained language authorizing the University to use operating funds (up to $7 million) to support renovations needed for the University's educational facility in Mexico City, *Casa de California*; however, it was agreed by the Governor and the Legislature that no State funds would be used for this facility going forward.

The State-funded budget rose 5% in 2005-06, 8.2% in 2006-07, and 5.9% in 2007-08, rising from $2.8 billion in 2005-06 to $3.26 billion in 2007-08.

2008-09 and 2009-10: A Second State Fiscal Crisis in a Decade

The 2008-09 academic year began, fiscally, as a very difficult year for the State. The ongoing structural deficit was estimated to be about $6 billion when the University developed its plan for 2008-09 in November 2008 and ended up totaling closer to $14.5 billion when the Governor and the Legislature negotiated a final budget in September. The State addressed its problem through a combination of budget cuts, borrowing, and revenue enhancements such as closing tax loopholes, among other actions.

For the University, the budget was constrained, falling short of funding basic costs. In developing the Governor's Budget, the Department of Finance first "funded" a normal workload budget consistent with the Compact with the Governor and then proposed a 10% reduction (totaling $332 million) to that higher budget to address the State's fiscal situation. The net result in the Governor's January proposal between 2007-08 and 2008-09 was a reduction to the University's base budget of $108 million (excluding lease revenue bond payments and one-time funds). The Governor's May revision proposed to restore $98.5 million of the cut proposed in January, and this restoration was sustained through the signing of the budget act. With the adoption of a new State spending plan in September 2008, the

University's State-funded budget was essentially flat compared to 2007-08, totaling $3.25 billion.

Unfortunately, the nation, and indeed the world, was entering the worst economic recession since the Great Depression of the 1930s. As a result, estimates of revenue contained in the State's September 2008 budget act proved unrealistic and the State began a process of budget negotiations over a 10-month period to resolve its deficit.

First, action occurred in October, after the final budget act had been passed, which required the University to achieve $33.1 million in one-time savings during 2008-09. During November, the Governor called a special session of the Legislature to deal with the State's fiscal crisis. That effort ended with a new 18-month budget package adopted in February 2009 that implemented mid-year cuts for 2008-09 and developed a spending plan for 2009-10 instituting additional cuts. Within a matter of weeks, it became evident the revenue estimates used to adopt the February Special Session budget were too optimistic. Late into the summer, the Legislature adopted its third budget for 2008-09 (after the fiscal year had ended) and a revised spending plan for 2009-10 to resolve an estimated $24 billion deficit.

Again, the State used a combination of spending cuts, borrowing, transfers to the General Fund, and increased revenue (through accounting system changes rather than additional taxes) to resolve the budget deficit. The new 18-month State budget included unprecedented cuts for the University. Reductions in 2008-09 totaled $814 million, and included both permanent and one-time cuts. These reductions were partially offset by $716.5 million in one-time funds provided by the federal government through the American Recovery and Reinvestment Act (ARRA) as part of a wide-ranging economic stimulus package intended to jump-start economic recovery in a number of sectors, including education. Many of the reductions for 2008-09 were not approved until after the fiscal year had ended. In addition, much of the ARRA money was not provided until the new fiscal year. Thus, the University carried forward a large negative balance at the end of 2008-09.

The funding cuts for the University's 2009-10 budget reflected the continuing fiscal crisis in the State. When compared to the budget adopted in September 2008 before the mid-year cuts began, the University's 2009-10 State funded budget is $637 million less, totaling $2.6 billion, a reduction of 20%.

Display XXI-12 shows the series of cuts that have occurred over the last 18-month period. The *Cross-Cutting Issues* chapter of this document contains detail on the actions underway to address the budget cuts.

Display XXI-13 provides a brief outline of the decade now drawing to a close. While every decade in recent history has begun with an economic downturn that has negatively affected the University's fiscal stability, this decade is unprecedented inasmuch as two major multi-year fiscal crises have occurred within a ten-year period. Unfortunately, the State has not resolved its ongoing structural deficit and thus constrained budgets are expected to continue for several more years. It is critical for the future of the University of California that the State find solutions to its fiscal woes – until that occurs, the University of California will experience difficult fiscal challenges as it hopes to move forward.

DISPLAY XXI-12: STATE BUDGET ACTIONS FOR 2008-09 AND 2009-10
(DOLLARS IN MILLIONS)

2008-09 Budget Act (September 2008)		$3,250.3
2008-09 State Budget Reductions		
Mandatory Savings Target (September 2008 Budget Act)	one-time	$(33.1)
Mid-year Reduction (February Special Session)	permanent	(65.5)
Additional Reduction (May 14 Revise)	one-time	(510.0)
Additional Reduction (May 26)	one-time	(207.5)
Conference Committee Restoration		2.0
Total State Funding Reductions (one-time and permanent)		$(814.1)
Other Miscellaneous Adjustments (e.g., bond repayment adjustments)		(17.9)
Revised 2008-09 State General Fund Base Budget		$2,418.3
% Reduction		-25%
Federal Stimulus Funding (one-time, total received as of October 2009)		$716.5
Net Reduction		$(115.5)
Net 2008-09 State General Funds and Stimulus Funds		$3,134.8
% Reduction		-3%
2009-10 State Budget Reductions		
2008-09 Mid-year Reduction (February Special Session)	permanent	$(65.5)
Governor's Veto - Trigger Funding (February Special Session)	one-time	(50.0)
Governor's Veto (February Special Session)	one-time	(255.0)
Unallocated Reduction (May 14 Revise)	permanent	(50.0)
Unallocated Reduction (May 14 Revise, previously Outreach cut)	permanent	(31.3)
Additional Reduction (May 26)	through 2010-11	(167.5)
Conference Committee Adjustment	permanent	(17.8)
Total State Funding Reductions (one-time and permanent)		$(637.1)
Other Miscellaneous Adjustments (e.g., bond repayment adjustments)		23.0
Revised 2009-10 State General Fund Base Budget		$2,636.2
% Reduction from 2008-09 Budget Act		-20%

DISPLAY XXI-13: TEN YEARS OF THE UC BUDGET

2000-01
Partnership Agreement with Governor Davis funding allows increases to base, core needs, enrollment, research, and outreach, as well as new and expanded funding for initiatives, and fee buy-downs for students.

2001-02
While a fiscal crisis looms, the State is able to provide Partnership funding, but by the end of the year must make some cuts to research, outreach, and public service.

2002-03
With the State in fiscal crisis, Partnership funding is provided for enrollment and annuitant benefits, but UC's base increase is lower than planned and partially offset by fee increases, and cuts are made throughout the University.

2003-04
Large cuts are made throughout the enterprise, as high as 50% in outreach, but increases to enrollment and annuitant benefits are still provided.

2004-05
The State budget crisis' effect on UC peaks, with increases in student fees and the student-faculty ratio, a smaller freshman class, and large budget reductions throughout the University.

2005-06
A return to increases in base budget and enrollment funding and few targeted cuts through the new Compact with Governor Schwarzenegger signal a turning point in UC's budget after four years of reductions.

2006-07
The State provides Compact funding, as well as additional funding for outreach and research, and provides students with fee increase buyouts.

2007-08
Compact funding is again available, with some additional funding for outreach.

2008-09
With the onset of another fiscal crisis, the Compact is funded but equivalent unallocated cuts are assigned and institutional support is reduced.

2009-10
The Compact is again funded, but equivalent unallocated cuts are assigned, and large and wide-ranging cuts are assigned throughout the University.

UNIVERSITY OF CALIFORNIA

APPENDIX DISPLAY 1

2010-11 BUDGET FOR CURRENT OPERATIONS AND EXTRAMURALLY FUNDED OPERATIONS

(DOLLARS IN THOUSANDS)

EXPENDITURES

	2009-10 Budget	2010-11 Proposed	Change Amount	%
BUDGET FOR CURRENT OPERATIONS				
Instruction:				
General Campus	$ 2,204,079	$ 2,514,622	$ 310,543	14.1%
Health Sciences	1,207,827	1,270,038	62,211	5.2%
Summer Session	10,201	13,491	3,290	32.3%
University Extension	211,566	216,855	5,289	2.5%
Research	622,681	671,520	48,839	7.8%
Public Service	226,440	255,637	29,197	12.9%
Academic Support:				
Libraries	244,533	269,341	24,808	10.1%
Other	808,506	846,054	37,548	4.6%
Teaching Hospitals	5,248,130	5,560,618	312,488	6.0%
Student Services	605,135	620,135	15,000	2.5%
Institutional Support	721,806	775,974	54,168	7.5%
Operation and Maintenance of Plant	496,374	592,866	96,492	19.4%
Student Financial Aid	788,027	949,434	161,407	20.5%
Auxiliary Enterprises	1,002,205	1,062,337	60,132	6.0%
Provisions for Allocation	120,301	593,142	472,841	393.0%
University Opportunity Fund & Special Programs	224,000	242,000	18,000	8.0%
Program Maintenance: Cost Increases	--	211,221	211,221	--
TOTAL BUDGET FOR CURRENT OPERATIONS	$ 14,741,811	$ 16,665,285	$ 1,923,474	13.0%
EXTRAMURALLY FUNDED OPERATIONS				
Sponsored Research	$ 3,082,067	$ 3,155,192	$ 73,125	2.4%
Other Activities	1,559,733	1,556,086	(3,647)	-0.2%
TOTAL EXTRAMURALLY FUNDED OPERATIONS	$ 4,641,800	$ 4,711,278	$ 69,478	1.5%
TOTAL OPERATIONS	$ 19,383,611	$ 21,376,563	$ 1,992,952	10.3%
DEPARTMENT OF ENERGY LABORATORY (LBNL)	$ 672,830	$ 740,113	$ 67,283	10.0%

INCOME

	2009-10 Budget	2010-11 Proposed	Change Amount	%
BUDGET FOR CURRENT OPERATIONS				
General Fund				
State of California	$ 2,636,211	$ 3,538,960	$ 902,749	34.2%
UC Sources	626,413	647,920	21,507	3.4%
Total General Funds	$ 3,262,624	$ 4,186,880	$ 924,256	28.3%
Restricted Funds				
State of California	$ 65,105	$ 65,397	$ 292	0.4%
U. S. Government Appropriations	19,000	19,000	0	0.0%
Student Fees:				
Educational, Registration & Professional School Fees	2,003,344	2,438,725	435,381	21.7%
Extension, Summer Session & Other Fees	551,926	583,616	31,690	5.7%
Teaching Hospitals	5,208,130	5,520,618	312,488	6.0%
Auxiliary Enterprises	1,002,205	1,062,337	60,132	6.0%
Endowment Earnings	190,590	190,590	0	0.0%
Other	2,438,887	2,598,122	159,235	6.5%
Total Restricted Funds	$ 11,479,187	$ 12,478,405	$ 999,218	8.7%
TOTAL BUDGET FOR CURRENT OPERATIONS	$ 14,741,811	$ 16,665,285	$ 1,923,474	13.0%
EXTRAMURALLY FUNDED OPERATIONS				
State of California	$ 285,922	$ 285,922	$ 0	0.0%
U.S. Government	2,455,000	2,555,000	100,000	4.1%
Private Gifts, Contracts & Grants	1,392,174	1,392,174	0	0.0%
Other	508,704	478,182	(30,522)	-6.0%
TOTAL EXTRAMURALLY FUNDED OPERATIONS	$ 4,641,800	$ 4,711,278	$ 69,478	1.5%
TOTAL OPERATIONS	$ 19,383,611	$ 21,376,563	$ 1,992,952	10.3%
DEPARTMENT OF ENERGY LABORATORY (LBNL)	$ 672,830	$ 740,113	$ 67,283	10.0%

Note: Not shown are $448 million in State Fiscal Stabilization Funds (SFSF) authorized by the American Reinvestment and Recovery Act of 2009 (ARRA) that the University received in 2009-10, but which were used to cover late State funding reductions for 2008-09.

UNIVERSITY OF CALIFORNIA
APPENDIX DISPLAY 2: BUDGET FOR CURRENT OPERATIONS
EXPENDITURES BY PROGRAM AND FUND TYPE
(DOLLARS IN THOUSANDS)

	2009-10 BUDGET			2010-11 PROPOSED			PROPOSED INCREASES		
	STATE & UC GENERAL FUNDS[1]	RESTRICTED FUNDS	TOTAL FUNDS	STATE & UC GENERAL FUNDS[1]	RESTRICTED FUNDS	TOTAL FUNDS	STATE & UC GENERAL FUNDS[1]	RESTRICTED FUNDS	TOTAL FUNDS
INSTRUCTION									
General Campus	$ 1,400,290	$ 803,789	$ 2,204,079	$ 1,686,526	$ 828,096	$ 2,514,622	$ 286,236	$ 24,307	$ 310,543
Health Sciences	330,611	877,216	1,207,827	366,691	903,347	1,270,038	36,080	26,131	62,211
Summer Session	--	10,201	10,201	0	13,491	13,491	--	3,290	3,290
University Extension	--	211,566	211,566	--	216,855	216,855	--	5,289	5,289
RESEARCH	286,802	335,879	622,681	315,349	356,171	671,520	28,547	20,292	48,839
PUBLIC SERVICE									
Campus Public Service	51,020	116,707	167,727	56,065	136,707	192,772	5,045	20,000	25,045
Cooperative Extension	37,900	20,813	58,713	41,706	21,159	62,865	3,806	346	4,152
ACADEMIC SUPPORT									
Libraries	148,774	95,759	244,533	163,582	105,759	269,341	14,808	10,000	24,808
Organized Activities	176,297	632,209	808,506	193,845	652,209	846,054	17,548	20,000	37,548
TEACHING HOSPITALS	40,000	5,208,130	5,248,130	40,000	5,520,618	5,560,618	--	312,488	312,488
STUDENT SERVICES	--	605,135	605,135	--	620,135	620,135	--	15,000	15,000
INSTITUTIONAL SUPPORT	303,090	418,716	721,806	333,258	442,716	775,974	30,168	24,000	54,168
OPERATION AND MAINTENANCE OF PLANT	329,450	166,924	496,374	387,942	204,924	592,866	58,492	38,000	96,492
STUDENT FINANCIAL AID	60,339	727,688	788,027	60,339	889,095	949,434	--	161,407	161,407
AUXILIARY ENTERPRISES	--	1,002,205	1,002,205	--	1,062,337	1,062,337	--	60,132	60,132
PROVISIONS FOR ALLOCATION	98,051	22,250	120,301	418,558	174,584	593,142	320,507	152,334	472,841
UNIVERSITY OPPORTUNITY FUND AND SPECIAL PROGRAMS	--	224,000	224,000	--	242,000	242,000	--	18,000	18,000
SUBTOTAL	$ 3,262,624	$ 11,479,187	$ 14,741,811	$ 4,063,861	$ 12,390,203	$ 16,454,064	$ 801,237	$ 911,016	$ 1,712,253
PROGRAM MAINTENANCE									
Compensation and Other Cost Increases	--	--	--	123,019	88,202	211,221	123,019	88,202	211,221
TOTAL UNIVERSITY	$ 3,262,624	$ 11,479,187	$ 14,741,811	$ 4,186,880	$ 12,478,405	$ 16,665,285	$ 924,256	$ 999,218	$ 1,923,474

[1] UC General Funds do not support Teaching Hospitals. For all other budgeted programs, UC General Funds represent about 19% of the General Funds budget while State General Funds represent the remaining 81%. Not shown are $448 million in State Fiscal Stabilization Funds (SFSF) authorized by the American Reinvestment and Recovery Act of 2009 (ARRA) that the University received in 2009-10, but which were used to cover late State funding reductions for 2008-09.

UNIVERSITY OF CALIFORNIA
APPENDIX DISPLAY 3
GENERAL CAMPUS AND HEALTH SCIENCES

Full-Time Equivalent Enrollments

	2008-09		*2009-10*	
	Budgeted	***Actual***	***Budgeted***	***Estimated***
BERKELEY				
General Campus	32,535	34,732	32,535	35,167
Health Sciences	761	753	761	761
Total	33,296	35,485	33,296	35,928
DAVIS				
General Campus	27,700	29,021	27,700	29,147
Health Sciences	1,910	2,195	1,910	2,181
Total	29,610	31,216	29,610	31,328
IRVINE				
General Campus	26,050	27,763	26,050	26,928
Health Sciences	1,184	1,394	1,184	1,415
Total	27,234	29,157	27,234	28,343
LOS ANGELES				
General Campus	33,390	34,945	33,390	35,188
Health Sciences	3,935	3,891	3,935	3,963
Total	37,325	38,836	37,325	39,151
MERCED				
General Campus	2,000	2,775	2,000	3,424
RIVERSIDE				
General Campus	17,159	18,028	17,159	18,504
Health Sciences	48	54	48	56
Total	17,207	18,082	17,207	18,560
SAN DIEGO				
General Campus	26,375	27,487	26,375	27,691
Health Sciences	1,409	1,705	1,409	1,743
Total	27,784	29,192	27,784	29,434
SAN FRANCISCO				
Health Sciences	3,784	4,184	3,784	4,279
SANTA BARBARA				
General Campus	22,000	22,589	22,000	23,166
SANTA CRUZ				
General Campus	16,075	16,809	16,075	17,143
TOTALS				
General Campus	203,284	214,149	203,284	216,358
Health Sciences	13,031	14,176	13,031	14,398
Reserve	(60)	-	(60)	-
Total	216,255	228,325	216,255	230,756

UNIVERSITY OF CALIFORNIA
APPENDIX DISPLAY 4
GENERAL CAMPUS

Full-Time Equivalent Enrollments

	2008-09		*2009-10*	
	Budgeted	***Actual***	***Budgeted***	***Estimated***
BERKELEY				
Undergraduate	24,435	26,540	24,435	27,073
Graduate	8,100	8,192	8,100	8,094
Total	32,535	34,732	32,535	35,167
DAVIS				
Undergraduate	23,340	24,754	23,340	24,884
Graduate	4,360	4,267	4,360	4,263
Total	27,700	29,021	27,700	29,147
IRVINE				
Undergraduate	22,550	24,337	22,550	23,340
Graduate	3,500	3,426	3,500	3,588
Total	26,050	27,763	26,050	26,928
LOS ANGELES				
Undergraduate	25,690	27,196	25,690	27,322
Graduate	7,700	7,749	7,700	7,866
Total	33,390	34,945	33,390	35,188
MERCED				
Undergraduate	1,860	2,591	1,860	3,197
Graduate	140	184	140	227
Total	2,000	2,775	2,000	3,424
RIVERSIDE				
Undergraduate	15,059	15,896	15,059	16,233
Graduate	2,100	2,132	2,100	2,271
Total	17,159	18,028	17,159	18,504
SAN DIEGO				
Undergraduate	22,575	23,842	22,575	23,809
Graduate	3,800	3,645	3,800	3,882
Total	26,375	27,487	26,375	27,691
SANTA BARBARA				
Undergraduate	19,000	19,695	19,000	20,271
Graduate	3,000	2,894	3,000	2,895
Total	22,000	22,589	22,000	23,166
SANTA CRUZ				
Undergraduate	14,475	15,359	14,475	15,593
Graduate	1,600	1,450	1,600	1,550
Total	16,075	16,809	16,075	17,143
GENERAL CAMPUS				
Undergraduate	168,984	180,210	168,984	181,722
Graduate	34,300	33,939	34,300	34,636
Reserve	(60)		(60)	
Total	203,224	214,149	203,224	216,358

UNIVERSITY OF CALIFORNIA
APPENDIX DISPLAY 5
INCOME AND FUNDS AVAILABLE
(DOLLARS IN THOUSANDS)

	Estimated 2009-10	Proposed 2010-11	Proposed Changes
STATE APPROPRIATIONS			
General Fund	$ 2,636,211	$ 3,538,960	$ 902,749
Special Funds	65,105	65,397	292
TOTAL, STATE APPROPRIATIONS	$ 2,701,316	$ 3,604,357	$ 903,041
UNIVERSITY SOURCES			
General Funds Income			
Student Fees			
Nonresident Tuition	$ 272,443	$ 282,343	$ 9,900
Application for Admission and Other Fees	27,700	27,700	--
Interest on General Fund Balances	10,000	10,000	--
Federal Contract & Grant Overhead	274,377	296,377	22,000
DOE Allowance for O/H & Management	285	-	-285
Overhead on State Agency Agreements	19,500	20,500	1,000
Other	10,500	11,000	500
Subtotal	$ 614,805	$ 647,920	$ 33,115
Prior Year's Income Balance	11,608	--	(11,608)
Total UC General Fund Income	$ 626,413	$ 647,920	$ 21,507
Special Funds Income			
GEAR UP State Grant Program	$ 3,500	$ 3,500	$ --
United States Appropriations	19,000	19,000	--
Local Government	96,639	96,639	--
Student Fees			
Educational Fee	1,631,308	2,036,202	404,894
Registration Fee	196,279	196,279	--
Special Law/Medical Fee	1,914	1,914	--
Professional School Fees	173,843	204,330	30,487
University Extension Fees	211,566	216,855	5,289
Summer Session Fees	10,201	13,491	3,290
Other Fees	330,159	353,270	23,111
Sales & Services - Teaching Hospitals	5,208,130	5,520,618	312,488
Sales & Services - Educational Activities	1,191,139	1,310,253	119,114
Sales & Services - Support Activities	537,166	564,024	26,858
Endowments	190,590	190,590	--
Auxiliary Enterprises	1,002,205	1,062,337	60,132
Contract and Grant Off-the-Top Overhead	124,000	133,000	9,000
DOE Management Fee	33,500	33,500	--
University Opportunity Fund	224,000	242,000	18,000
Other	228,943	215,206	(13,737)
Total Special Funds	$ 11,414,082	$ 12,413,008	$ 998,926
TOTAL, UNIVERSITY SOURCES	$ 12,040,495	$ 13,060,928	$ 1,020,433
TOTAL INCOME AND FUNDS AVAILABLE	$ 14,741,811	$ 16,665,285	$ 1,923,474

Note: Not shown are $448 million in State Fiscal Stabilization Funds (SFSF) authorized by the American Reinvestment and Recovery Act of 2009 (ARRA) that the university received in 2009-10, but which were used to cover late State funding reductions for 2008-09.

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UNIVERSITY *of* CALIFORNIA

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