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

Katherine Lapp
Executive Vice President
November 14, 2007
Budgets are a blueprint for turning vision into action

- UC exists to serve the people of California
- California faces huge financial constraints
- UC has a responsibility to meet some needs through cost-savings and efficiencies
UC’s $18.1 billion operating budget consists of funds from a variety of sources

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

### 2007-08 Budgeted Revenue from All Fund Sources (Millions of Dollars)

**38% Services & Auxiliaries**
- Medical Centers $4,263
- Auxiliary Enterprises & Extension $1,277
- Museums, Theaters, Clinics & Other Activities $1,190

**28% Contracts & Grants**
- Special State, Federal & Other Funds $206
- Extramural–Federal $2,301
- Extramural–Private $1,170
- Extramural–Other $889
- DOE Lab Operations $654

**30% General Funds & Fees**
- Student Fees $1,574
- UC General Funds $577
- State General Funds $3,274

**4% Endowment & Other**
- UC Other $506
- Endowment Earnings $202
The University’s share of State General Funds has declined over the long-term

- 2007-08 was a good year for the University.
- While the State’s budget grew less than 1%, State funding for UC rose 6.5%.
- UC’s share of the State budget is now 3.2%.
Faculty and staff compensation comprise 70% of the core operating budget.
State funds per student have dropped 34%, while the student share has doubled.

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

- State General Funds
  - 4% Base budget adjustment $123.2 million
  - Additional 1% for core needs 30.1 million
  - Enrollment growth (5,408 FTE) 62.8 million
  - Research Initiative 10.0 million
  - Educational Imperative Initiative 5.0 million

- UC General Funds 20.0 million

- Student Fee Revenue
  - Enrollment growth 39.3 million
  - Professional Fee Increases 16.6 million

- Additional State Funds or Equivalent Increase in Student Fees 70.5 million

- Total $378.2 million
Proposed New Expenditures

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

- Increase in revenue $378.2 million
- New expenditures $406.3 million
- Redirection of savings from efficiencies ($28.1 million)
Redirection of Initial Savings from Restructuring and New Efficiencies

- Working closely with the Monitor Group to restructure the Office of the President and generate savings.

- Provost Hume has formed 5 major work groups to recommend changes both in the short and long term to improve efficiency.

- Efforts to identify and capture savings from this fiscal year, including control on funding for position vacancies.
Enrollment Growth: $102.1 million

- 5,408 FTE undergraduate and graduate students (2.5% growth).
- Expansion of medicine (PRIME) and nursing programs.
- New expansion of public health programs.
- Includes funding for student financial aid.
Restoring Competitive Compensation for All Employees: $168.8 million

- Attracting and retaining quality faculty and staff are critical to building the teaching and research core.

- Earlier budget cuts have resulted in significant disparities in faculty and staff salaries compared to market.

- The University’s goal is to achieve and maintain a market-based competitive compensation plan for all employees.

- For 2008-09, budget plan calls for a 5% compensation package for faculty and staff.
Faculty salaries currently lag those of comparison institutions by nearly 10%.

In 2007-08, UC has initiated an accelerated four-year plan to bring faculty salaries back to market levels by 2010-11.
Staff Compensation: 10-year Plan to Close the Market Gap

- From 1996-97 to 2004-05, UC staff salary increases lagged market increases every year but one.
- Current plan calls for increases of at least 5% annually over 10 years.
Strengthening Core Academic Support: $30.8 million

- Instructional Technology
- Instructional Equipment
- Libraries
- Operation and Maintenance of Plant
Enhancing Graduate Student Support: $10.0 million

- Financial support is critical to recruitment of the best graduate students.
- UC has made progress on support offers relative to competitors.
- Large gaps remain, which are exacerbated by the high cost of living in California.
Restoring Instructional Budgets: $10.0 million

- State cuts totaling $70 million targeted at the student-faculty ratio were instead taken as unallocated reductions.

- Over the last three years, the University has restored a total of $30 million.

- Long-term goal to reduce ratio from current level of 18.7:1 to 17.6:1.
Improving Student Mental Health: $8.0 million

- Multi-year plan to respond to student needs, implement targeted interventions, and create healthier learning environments.
- $4 million added in 2007-08.
- Additional funding in 2008-09 will bring total new funding to $12.0 million.
Keeping Pace with Inflation: $25.0 million

- Increasing costs for instructional equipment, library materials, and purchased utilities, among other non-salary items.
- A 2.25% adjustment does not keep pace with inflation.
- This results in built-in efficiencies in University purchasing.
Student fee increases approved by The Regents at September meeting.

Funding will support cost increases and initiatives to improve program quality.

More than 1/3 of fee increase funding will be use for student financial aid.
Supporting Development of the New Campus at Merced: $10.0 million

- Enrollment has reached 2,000 students in 2007-08.
- One-time funding from State is needed for faculty salaries and recruitment and other support to fully operate the campus.
- State funding will phase down to $5 million in 2009-10 and be eliminated in 2010-11.
Partnering with K-12, CSU, and Others to Address Key Issues for K-12 Schools: $5.0 million

- Better information for schools and parents.
- Better capacity for delivery of rigorous academic content.
- More research and dissemination of results.
- Improved statewide policy dialogue.
Responding to State Research Needs – Addressing Climate Change: $10.0 million

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

• To better serve California, UC needs long-term investment commitment from the State

• Long-range planning process has identified top long-term needs
  – Graduate education
  – Research
  – Competitive salaries
  – K-12
  – Health care
  – Infrastructure
An Open and Transparent Budget Process

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

CAMPUS ACADEMIC PLANNING PROCESS

DEVELOPMENT OF INITIATIVES AND PRIORITIES

DRAFT BUDGET

BUDGET APPROVED BY REGENTS

Consultation

STUDENTS CAMPUS LEADERSHIP FACULTY

FACULTY LEGISLATORS GOVERNOR STUDENTS

ADVOCACY BEGINS

State-funded Capital Budget Request:
$388.9 million

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