UNIVERSITY OF CALIFORNIA

2009-10 Budget for Current Operations

Summary of the Budget Request

Patrick J. Lenz
Vice President for Budget
November 19, 2008
2008-09 enacted budget did not resolve the ongoing structural deficit.

The Governor called a special session, but that session expires at the end of November.

DOF revenue shortfall estimated at $24.2 billion over the next 20 months.

LAO revenue shortfall estimated at $27.8 billion.
Governor’s Special Session Budget Recommendations

• Additional State General Fund revenues  $4.7 billion
• Additional spending reductions  $4.5 billion
• No additional borrowing
Proposed Special Session Reductions

- K-12: $2.5 billion
- CCC: $332.2 million
- CSU: $66.3 million
- UC: $65.5 million
• Legislature must act by November 30, 2008.

• Unclear if the Legislature will support the Governor’s Special Session recommendations.

• As identified by the DOF and the LAO, this is clearly a multi-year problem.

• No action will result in deeper budget reduction proposed for the 2009-10 fiscal year.
Final 2008-09 UC Budget

• Final 2008-09 UC Budget $5.36 billion

• No funding for enrollment growth, health benefit cost increases, graduate student support, purchased utility deficits, salary commitments, academic merits, or the faculty salary plan

• Net campus reduction $148.7 million

• Governor’s proposal $65.5 million
2008-09 UC Budget
Campus Recommendations

• Implement hiring freeze
• Curtail non-essential travel
• Reduce leasing of space
• Limiting consulting contracts
• Defer purchasing equipment
• Energy cost savings
• Initiate START programs
• Administrative efficiencies
Faculty and staff compensation comprises 70% of the core operating budget.

2007-08 BUDGETED REVENUE AND EXPENDITURES FROM CORE FUNDS

**REVENUES**
- Student Fees 29%
- UC General Funds 11%
- State General Funds 60%

**EXPENDITURES**
- Faculty and Staff 59%
- Benefits 12%
- Equipment, Supplies, Utilities 20%
- Financial Aid 9%
State funds per student have dropped 40%, while the student share has doubled

- Since 1990, average inflation-adjusted expenditures for educating UC students has declined 19%.
UC’s $19 billion operating expenditures are derived from variety of sources

2007-08 EXPENDITURES FROM ALL FUND SOURCES
(DOLLARS IN MILLIONS)

- 42% Sales, Services & Auxiliaries
  - Medical Centers $4,554
  - Auxiliaries & Extension $1,408
  - Clinics & Other Activities $1,523
  - Extramural Activities $603

- 19% Government Contracts & Grants
  - State Special & Extramural $353
  - Federal Appropriations & Extramural $2,292
  - DOE Laboratory Operations $1,008

- 28% Core Funds
  - State General Funds $3,257

- 8% Private Support
  - Endowment Earnings $199
  - Private Gifts, Contracts and Grants $1,313

- 3% Other Sources
  - Other $530
Summary of the Budget Plan

- Workload Budget
- Restart of Retirement Contributions
- Start-up Funding for UCR Medical School
- Additional Regental Priorities
Proposed Increases in Revenue

• **State General Funds**
  - 4% base budget adjustment $123.0 million
  - Additional 1% for core needs 30.8 million
  - Enrollment growth (5,408 FTE for 2008-09) 61.4 million
  - Enrollment growth (5,406 FTE for 2009-10) 60.9 million
  - Annuitant health 11.0 million
  - Retirement contributions 228.0 million

• **UC General Funds**
  - 15.5 million

• **Student Fee Revenue**
  - Mandatory fee increases (9.4%) 150.5 million
  - Enrollment growth 44.7 million
  - Professional fee increases (5-24%) 19.9 million

• **Additional Funding Needed for Initiatives**
  - 69.8 million

**Total** $815.4 million
Proposed New Expenditures

- Faculty and staff compensation increases (5%)  $126.5 million
- Additional faculty salary increases  24.4 million
- Health benefits  30.8 million
- Retirement contributions  270.8 million
- Enrollment growth and new space  150.4 million
- Core academic support  30.8 million
- Graduate student support  10.0 million
- Restoration of instructional budgets  10.0 million
- Non-salary budget cost increases  45.7 million
- Professional school programs  13.3 million
- Labor research restoration  5.4 million
- UCR medical school  10.0 million
- California Science Institutes  10.0 million
- Financial aid  77.3 million

Total  $815.4 million
Enrollment Growth: $150.4 million

• In 2008-09, enrollment exceeds resources provided by more than 10,000 FTE students.
• State support provides essential funding for faculty, teaching assistants, and other instructional support.
Restoring Competitive Compensation for All Employees: $126.5 million

- Attracting and retaining quality faculty and staff are critical to building the teaching and research core.
- 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 2009-10, budget plan calls for a 5% compensation package for faculty and staff.
Additional Faculty Salary Increases: $24.4 million

- Four-year plan to eliminate 10% salary lag was instituted in 2007-08, but the plan was delayed in 2008-09.
Staff Compensation: 10-year Plan to Close the Market Gap

- UC staff salary increases lag market increases during 7 of the last 10 years. The staff salary plan calls for increases of at least 5% annually over 10 years.

### INCREASES IN FUNDING FOR STAFF SALARIES COMPARED TO MARKET

<table>
<thead>
<tr>
<th>Year</th>
<th>UC Staff Salary Increase Funding</th>
<th>Market - Western Region</th>
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<tbody>
<tr>
<td>1996-97</td>
<td></td>
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<tr>
<td>2000-01</td>
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<td>2004-05</td>
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<tr>
<td>2008-09</td>
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Proposed
• 11% premium increases for 2009.

• Budget plan assumes similar increases for 2010.

• Despite budget shortfalls, UC continues to cover 87% of health benefit premiums for employees on average.

• For employees earning less than $46,000, UC covers up to 96% of benefit premiums, depending on family type and plan.
# Retirement Contributions: $270.8 million

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Total first-year need*</td>
<td>11.54%</td>
</tr>
<tr>
<td>Employee contribution</td>
<td>2.0%</td>
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<tr>
<td>Employer contribution</td>
<td>9.54%</td>
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<tr>
<td>Total cost – all fund sources</td>
<td>$720.8 million</td>
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<tr>
<td>Core funds share</td>
<td>$270.8 million</td>
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<tr>
<td>State and student fee share</td>
<td>$228.0 million</td>
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* Based on full funding of actuarial recommendation.
Strengthening Core Academic Support: $30.8 million

- Instructional Technology
- Instructional Equipment
- Libraries
- Operation and Maintenance of Plant
Enhancing Graduate Student Support: $10 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 million

- State cuts totaling $70 million targeted at the student-faculty ratio were instead taken as unallocated reductions.
- The University restored a total of $30 million between 2005-06 and 2007-08.
Keeping Pace with Inflation: $45.7 million

- Increasing costs for instructional equipment, library materials, and purchased utilities, among other non-salary items.
- Includes a 3% adjustment to help keep pace with inflation for most items.
- Includes a 10% adjustment for increased costs of purchased utilities, based on recent estimates.
Campuses have proposed professional school fee increases ranging from 5% to 24%, varying by campus and program.

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

At least 1/3 of fee increase funding will be used for student financial aid.
Planning for a New Medical School at Riverside: $10 million

- Plans call for the UCR medical school to officially open in 2012-13.

- Initial investment from the State needed for:
  - hiring a dean
  - recruiting faculty
  - planning curricula and facilities
Promoting Research in Emerging Science and Technology Fields: $10 million

- Core operating funding for California Institutes of Science and Innovation.
Advancing Labor Research and Education: $5.4 million

- Funding for UC’s labor research and education centers was eliminated in 2008-09 by the Governor’s veto.
- Partial funding from UC sources provided on a one-time basis in 2008-09 to continue the program.
- For 2009-10, UC has requested that the State restore funds to support research on emerging workforce issues.
State-funded Capital Budget Request: $842.4 million

- Facilities / Infrastructure Modernization: $114.9 million (14%)
- Enrollment Increases: $385.3 million (46%)
- Telemedicine Program: $28.5 million (3%)
- Seismic Corrections: $251.4 million (30%)
- Other Life Safety Corrections: $62.3 million (7%)