UNIVERSITY OF CALIFORNIA

2011-12 UC Budget Proposal and Student Fee Increases

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Vice President for Budget and Capital Resources
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2010-11 State Budget Act

- Restoration of 2009-10 Reductions $199.0M
- One-time ARRA Funds $106.0M
- Enrollment (5,121 FTE students) $51.3M
- Annuitant Health $14.1M
- Total $370.4M
2010-11 UC Budget

Dollars in millions.

- Additional Mandatory Costs, $218.3M
- 2008-09 and 2009-10 Mandatory Costs, $368M
- State General Fund Reduction, $637.1M
- Budget Cuts, $237.1M
  - One-time ARRA Funds, $106M
  - Additional State Funding, $65.4M
  - State Funding Restoration, $199M
  - November 2009 Fee Increases, $330.1M
  - Earlier Fee Increases, $210.8M
  - Debt Restructuring, $75M
2011-12 UC Budget Gap

- Additional 2011-12 Mandatory Costs, $270.2M
- 2008-09 through 2010-11 Mandatory Costs, $586.3M
- State General Fund Reduction, $637.1M
- State Funding Restoration, $199M
- November 2009 Fee Increases, $330.1M
- Earlier Fee Increases, $210.8M
- 2011-12 Shortfall, $451.2M
- Earlier Budget Cuts, $237.1M
- Additional State Funding, $65.4M

Dollars in millions.
UC’s Long-term Budget Gap: $4.7 billion

Dollars in billions.

Estimated Costs

Estimated Revenues

Revenue Options: 2019-20

- Quality Initiatives: $700M
- Faculty and Staff Salary Lags: $560M
- Annuitant Health Liability: $400M
- Pension Contributions: $900M
- 3% Inflation: $2.2B
- 7% Fee Increases: $1.2B
- 5% State Funding Increases: $1.6B
- Remaining Gap: $1.6B
- 2010-11 State Funds: $320M

Dollars in billions.
Revenue Scenarios

Projected Expenditures  Flat Revenue  5% State Funds  5% State Funds/7% Fee Increases

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected Expenditures</th>
<th>Flat Revenue</th>
<th>5% State Funds</th>
<th>5% State Funds/7% Fee Increases</th>
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</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>$7.0</td>
<td>$4.0</td>
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<td>2012-13</td>
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<td>2018-19</td>
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<td>$6.0</td>
<td>$5.0</td>
<td>$4.7</td>
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</table>

Dollars in billions.
LAO - California Fiscal Outlook

• Reported Two-Year State Fiscal Deficit $25.4 Billion
  o 2010-11 State Budget Deficit 6.1 Billion
    ▪ Unable to Secure Federal Funding $3.5 Billion
    ▪ Prison Savings $965 Million
    ▪ Shift of Transportation Funds $800 Million
    ▪ Medi-Cal Savings $400 Million
    ▪ Collective Bargaining Savings $400 Million
  o 2011-12 Fiscal Deficit $19.3 Billion
    ▪ Sun-setting of Temporary Taxes $8 Billion
    ▪ Expiration of Federal Stimulus Funds $4.5 Billion

• Annual Fiscal Deficit Through 2015-16 $20 Billion
2011-12 UC Budget Base

• Restore 2010-11 Commitment $106.0 M
  (2009-10 – One-year budget cut)
• Restore 2011-12 Commitment $167.5 M
  (2009-10 – Two-year budget cut)
• Restore to 2007-08 Base Budget $164.6 M

Total $438.1 M
2011-12 UC Budget, Cost Increases

- Employee Health Benefits: $22.9 M
- Annuitant Health Benefits: $10.5 M
- Retirement Contributions: $182.3 M
- Academic Merit Increases: $27.7 M
- Collective Bargaining Agreements (AFSCME, UPTE): $6.0 M
- Potential Employee Salary Increases: $87.0 M
- Non-salary Price Increases: $24.0 M
- Purchased Utilities: $5.5 M

Total: $365.9 M
2011-12 UC Budget, Initiatives

- PRIME Expansion: $5.5 M
- Nursing Enrollment Growth: $4.1 M
- UCR Medical School: $15.0 M
- Graduate Student Support: $10.0 M
- Cal ISIs: $20.0 M
- Student/Faculty Ratio: $10.0 M
- Faculty Salary Plan: $20.0 M
- Core Academic Support: $30.0 M

Total: $114.6 M
UC Unfunded Enrollment: $115.7M

Actual Enrollment

Budget Target

Proposed Trajectory

Display 12
2011-12 UC Budget Needs

- Restore 2007-08 Base Budget: $438.1 M
- 2011-12 UC Mandatory Costs: $365.9 M
- UC Budget Initiatives: $114.6 M
- Deferred Maintenance: $60.0 M
- UC Unfunded Enrollment: $115.7 M
- Total 2011-12 UC Budget Needs: $1,094.3 M
2011-12 State Operating Budget Request

- Restoration of 2009-10 One-time Reduction $106.0 M
- Restoration of 2010-11 Two-year Reduction $167.5 M
- Retirement Contributions $171.8 M
- Annuitant Health Cost Increases $10.5 M
- Unfunded Enrollments (11,570 FTE students) $115.7 M
- PRIME and Nursing Expansion $9.6 M
- UCR Medical School $15.0 M

Subtotal $596.1 M
2011-12 Operating Budget Request

Cost Drivers

Deferred Maintenance, $60M
Reinvestment in Academic Excellence, $167.5M
Initiatives, $24.6M
Unfunded Enrollment, $115.7M
Replacement of ARRA Funds, $106M
Retirement Contributions, $182.3M
Normal Cost Increases, $183.6M

State Funding Request $596.1M
8% Student Fee Increase, $115.8M*
UC General Funds, $26.7M
Administrative Efficiencies, $101.1M

Solutions

Dollars in millions. *Excludes student financial aid and professional degree fee increases.
Modest State Funding Scenario

Cost Drivers

- Deferred Maintenance, $60M
- Reinvestment in Academic Excellence, $167.5M
- Initiatives, $24.6M
- Unfunded Enrollment, $115.7M
- Replacement of ARRA Funds, $106M
- Retirement Contributions, $182.3M
- Normal Cost Increases, $183.6M

Solutions

- 5% State Funding Increase, $145.6M
- 8% Student Fee Increase, $115.8M*
- UC General Funds, $26.7M
- Administrative Efficiencies, $101.1M

Dollars in millions. *Excludes student financial aid and professional degree fee increases.
2011-12 State Capital Budget Request

• Enrollment-related expansion $276.0 M
• Seismic/life-safety improvements $121.0 M
• Capital renewal $308.4 M
• New program initiatives $63.2 M

Subtotal $786.6 M
Mandatory Systemwide Fees

• Essential to support a portion of UC mandatory costs
• Will support additional faculty and course sections to provide student access and improve time-to-degree
• An 8% student fee increase will provide:
  ▪ Support for operating costs $115.8M
  ▪ Student financial aid $63.7M
  ▪ Total revenue $179.5M
Comparison Institution Fees: 2010-11

- During 2010-11, UC fees are lower than two comparators at the undergraduate level and lower than three comparators at the graduate level.
- After an 8% increase in UC fees, UC’s relative position would not change, even if the comparators do not raise their fees during 2011-12.
Impact of Recent and Proposed Fee Increases

- Strong increases in application numbers
- No change in percentage of low- or middle-income students who decide to attend UC ("yield")
- Low-income students continue to enroll in large numbers
- No change in drop-out or stop-out rates
- Debt at graduation remains low compared to other schools
Financial Aid for UC Undergraduates

• Financial aid and tax credits provided more than $2.0 billion to UC undergraduates in 2009-10

• 57% of undergraduates received $1.3 billion in grants and scholarships with an average award of $12,800

• Over one-third of undergraduates are low-income Pell Grant recipients – more than any other comparable research university
Financial Aid Enhancements: 2010-11

• Large augmentations to Cal Grants and UC grants to cover fee increases for lower-income students

• Pell Grant expansion raising maximum award by an additional $200 to $5,550

• Tax credits continued to provide enhanced benefits: higher maximum credit, income ceiling

• Expansion of Blue and Gold Opportunity Plan ensuring systemwide fees coverage to students with family income up to $70,000
Financial Aid Proposals: 2011-12

• Continue Undergraduate 33% return-to-aid policy and Graduate 50% RTA

• Support augmentations to Cal Grants to cover fee increases

• Expand Blue and Gold Opportunity Plan to include students with family income up to $80,000

• Provide one-time coverage of 100% of 2011-12 fee increases for needy families earning up to $120,000
Impact of No Fee Increase

• Costs of living continues to rise for students.
• Without a fee increase, costs for needy students will rise by $583 per student.
• With an 8% fee increase, additional UC grant money generated from return-to-aid and Cal Grant funds will offset about $170 of this increase.
• Without a fee increase, the University will forgo over $40 million in additional Cal Grant funds.
Fees and Financial Aid

55% of undergraduates will have fee increase covered

Figures shown are averages per undergraduate.
Includes system wide and estimated average campus fees.
Assumes expanded higher education tax credits for 2011.
Estimated Change in Net Fees for Undergraduates

Average Change Between 2010-11 and 2011-12 by Parent Income

<table>
<thead>
<tr>
<th>Parent Income</th>
<th>Estimated Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $60,000</td>
<td>$0</td>
</tr>
<tr>
<td>$60,000 to $90,000</td>
<td>$0</td>
</tr>
<tr>
<td>$90,000 to $120,000</td>
<td>$472</td>
</tr>
<tr>
<td>$120,000 to $180,000</td>
<td>$688</td>
</tr>
<tr>
<td>$180,000 and above</td>
<td>$823</td>
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</table>

Includes systemwide and campus fees.
Assumes expanded higher education tax credits are extended for 2011.
Net Total Cost of Attendance by Parent Income

Average Total Cost Less Gift Aid and Tax Credits, 2007-08 to 2009-10

Figures not adjusted for inflation.