University of California
September 2011 Regents’ Meeting

Development of a Multi-Year Budget Plan for the University of California

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Today’s Discussion

• State Budget Update
• UC Projected Budget Challenges Through 2015-16
• Elements of a Multi-Year Plan to Address Projected Budget Shortfalls and Stabilize Campus Funding
• The Need for a Multi-year Plan
  – Chancellor Dorothy Leland
  – Chancellor Timothy White
  – Chancellor Henry Yang
2011-12 State Budget Act: UC Support

- Total undesignated reduction: -$650 million
- Limits on discretion to assign cuts
- No funding for student enrollment, employee retirement obligations, or other mandatory costs
- Funding for two capital projects: $45.7 million
- Revenue shortfall trigger: -$100 million
Per-Student Average Expenditures for Education

Average inflation-adjusted resources per general campus student. Excludes financial aid. 2010-11 dollars.
The Long-term Problem

- Core expenses will continue to increase
- Pace of growth in mandatory costs is accelerated by post-employment benefit contributions
- UC needs steady and predictable revenue growth to address budget shortfalls and meet our future financial expenses
- Failure to bridge the gap threatens UC’s quality, access, and affordability
UC Budget Gap: $2.5 billion

Cost Drivers
- Enrollment Reductions
- Professional Degree Tuition Increases
- Nonresident Enrollment Increases
- Research Cost Recovery
- Philanthropy
- Other Cost Reductions
- Efficiencies and OP Reductions
- Tuition Revenue-Enrollment Growth

Solutions
- Enrollment Reductions
- Professional Degree Tuition Increases
- Nonresident Enrollment Increases
- Research Cost Recovery
- Philanthropy
- Other Cost Reductions
- Efficiencies and OP Reductions
- Tuition Revenue-Enrollment Growth

2011-12 Budget Gap: $1.5 billion

Dollars in billions.
UC’s Success is Built on Long-Term Investments

Building and maintaining quality requires long-term investments that, in turn, necessitate stable funding:

– recruiting and retaining faculty and critical staff,
– enrolling additional students,
– building new classrooms and research facilities,
– adding or expanding academic programs, and
– purchasing books and digital technology for libraries.

• Years of fiscal uncertainty have left campuses unable to make these strategic decisions.

• Faculty need assurance now that the University will secure stable funding in order to sustain quality, irrespective of State investment.
Scenarios

- **Scenario 1**: 8% tuition increases, 8% State support increases
- **Scenario 2**: 12% tuition increases, 4% State support
- **Scenario 3**: 16% tuition increases

Dollars in billions.
Tuition Levels Under Scenarios

No State Funding Increases and 16% Tuition and Fee Increases
4% State Funding Increases and 12% Tuition and Fee Increases
8% State Funding Increases and 8% Tuition and Fee Increases
UC’s Critical Need for a Multi-Year Budget Plan

- Stable, permanent and predictable revenue streams are critical to maintenance of quality
- Reduce significantly the volatility in revenue that prevents campus leadership from investing strategically in academic programs and tenured faculty
- Students – both current and future – need a firmer understanding of their costs of education and financial aid opportunities
- Partnership with the State to ensure student access, education quality, and a future highly skilled workforce
- Addressing the “fiscal rollercoaster” sends a positive message to existing and prospective students, faculty members, and supporters of advancing the quality of UC as a world class research university