University of California
November 2011 Regents’ Meeting

2012-13 UC Expenditure Plan

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Today’s Discussion

• 2011-12 State Budget Update
  – Budget trigger, impact on 2011-12 UC Budget
  – Governor’s proposal for pension plan reform
  – Overview of 2011-12 UC capital outlay

• Proposed 2012-13 Operating Budget Expenditure Plan -- UC’s request to the State
  – NO ACTION ON TUITION
  – No assumptions on State support until release of Governor’s January Budget
  – Expenditure plan represents Regents’ 2012-13 UC Budget funding priorities
  – Update on administrative efficiencies, cost savings, and increasing alternative revenues
LAO State Fiscal Outlook

• LAO released their State Fiscal Outlook on November 17, 2011
• State faces a $3 billion budget deficit in 2011-12 fiscal year
• LAO revenue assumptions would result in $2 billion in “Trigger Reductions”
• LAO projecting $9.8 billion state operating short-fall in 2012-13 fiscal year
Budget Update

• UC 2011-12 support budget reduced by $650 million, base budget now $2.37 billion
• LAO 2011-12 revenue assumptions resulted in DOF indicating they will pull the “Budget Trigger”
• DOF action will result in $100 million reduction to UC support budget
• UC will manage $100 million cut on a “one-time basis”
• Request DOF to treat $100 million reduction as a “one-time” cut to the UC budget
UC’s 2011-12 Budget Shortfall

$1,012.5 million

Mandatory Costs, $362.5M

State Support Reduction, $650M

$1,012.5 million

Shortfall, $746.7M

Additional 9.6% Tuition Increase, $150M*

November 2010 8% Tuition Increase, $115.8M

26.3%

Dollars in millions.
* Annualized revenue impact.
Working Smarter

• Continue to pursue goal of achieving $500 million in positive fiscal impacts through operational excellence

• Projects include:
  – Enterprise Risk Management (ERM)
  – Liquidity Management
  – UC Campus Connexions
  – UC Travel Insurance Program (UC TRIPS)
  – UC Equipment Maintenance Insurance Program (UCEMIP)
  – Statewide Energy Partnership Program
  – Purchase Card Program
Per-Student Average Expenditures for Education

Average inflation-adjusted resources per general campus student.
Proposed 2012-13 Expenditure Plan

• Key elements of the Plan
  – Enrollment growth and instructional programs
  – Compensation and employee health benefits
  – Contributions to UCRP
  – Employee health benefits
  – Deferred maintenance
  – Non-salary cost increases
  – Preserving quality
Enrollment Growth and Instructional Programs

• Plan calls for modest enrollment growth of 1% in 2012-13, an increase of 2,100 students (FTE), $36.6 million.

• Enrollment funding includes support for expanded health sciences enrollments:
  – $825,000 for PRIME (Programs In Medical Education)
  – $4.8 m for additional nursing students
  – $15 million for UC Riverside School of Medicine
Compensation and Employee Health Benefits

Plan calls for:

• $97.6 million for a 3% salary increase for UC’s core academic and staff employees

• $22.8 million in employer costs related to employee health benefits (assumes a 7% increase in these costs)
Contributions to UCRP and Retiree Health Program

- University of California Retirement Plan provides pension benefits for nearly 56,000 retirees and survivors and has nearly 16,000 active employee members

- Retiree health benefits are expected to cost more than $270 million in 2011-12
Deferred Maintenance

• Nearly 60% of UC’s state-eligible space is more than 30 years old

• The State has provided no funding for deferred maintenance since 2002-03

• The plan calls for $25 million annually in the operating budget for deferred maintenance funding
Non-salary Cost Increases

• The State has not funded non-salary price increases for several years
• Moreover, costs of certain areas of UC’s budget, such as purchased utilities, have risen much faster than inflation
• The plan calls for $21.8 million to cover the cost increases in non-salary items, including:
  – Institutional equipment
  – Library materials
  – Purchased utilities
Preserving Quality

• Plan calls for reinvestment in areas critical to academic quality, $310 million

• Will allow us to, for example:
  – Fill faculty positions which had been deferred
  – Restore eliminated course offerings
  – Reduce class sizes
  – Increase competitiveness of graduate student support
  – Reinvest in library materials
  – Purchase modern instructional equipment
  – Reinvest in quality of campus life for students (extend service hours, restore academic support services, etc.)
2012-13 UC Capital Outlay Request

• UC identified $1.13 billion in state funded capital outlay need
• DOF returned all UC Capital Outlay, Budget Change Proposals (CO, BCP’s)
• UC working with DOF on alternative financing of future capital facility projects
• UC prepared to identify long-term capital facility needs in the event of a November 2012, General Obligation bond
State 2012-13 Capital Outlay Objectives

- Total UC State capital proposal for 2012-13 is $1.13 billion
- Over half supports critical seismic and life-safety needs
- Includes projects previously proposed but not included in State Budgets for past four years
Capital Renewal Needs

- The building boom in the 1950s and 1960s drives the rising capital renewal costs.

![UC State-Maintained Space by Decade of Construction](chart.png)
Next Steps

• Discussion in January:
  – review Governor’s Budget for UC
  – consider revenue alternatives and potential expenditure trade-offs

• March Regents for approval of UC budget