Revised Long-Term Budget Model

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Context for Update of Long-Term Budget Model

• Long-term budget model originally presented to Regents in March 2011
• UC revenue and expenditure assumptions and State budget situation have changed considerably since 2011
• Long-term budget modeling needs to take into account Governor’s proposed multi-year funding plan
• Updated data now available on alternative revenues and other measures
Context for Update of Long-Term Budget Model

• Earlier modeling assumed restoration to 2007-08 funding levels
  – Getting back to 2007-08 funding levels is unrealistic in the current context

• Current modeling uses 2013-14 as base year and focuses on four years of the Governor’s proposed multi-year plan

• Restoration of academic quality is still a priority, but assumptions are no longer set to 2007-08 levels
UC’s Three Pillars of Excellence: Access, Affordability and Quality

- During recent years of fiscal crisis, UC has protected access and affordability
- However, measures taken in budget cuts have affected quality
  - Student-faculty ratio
  - Faculty salary gap
  - Faculty hiring
UC’s Three Pillars of Excellence: Access

- All eligible freshmen have been offered a place at UC
  - Fall 2013 freshman applications rose to nearly 100,000
  - Number of California freshman applicants grew 6.2% over last year
- In 2012-13, UC enrolled nearly 240,000 students
- In Fall 2011, 40% of UC’s undergraduate students were first-generation college students
UC’s Three Pillars of Excellence: Access

- UC has a higher proportion of Pell Grant recipients - 41% during 2010-11 - than any comparable public or private institution.
UC’s Three Pillars of Excellence: Affordability

• Over 50% of all California resident undergraduates pay no systemwide tuition or fees

• About half of UC’s 2011-12 graduating undergraduates had no student loan debt
  – The 52% who borrowed had average debt of $19,751, well below the national average of $26,600
UC’s Tuition Policy Has Been Marked by Chronic Volatility, Which Has Hurt Students, Their Families and Our Campuses

Year-to-Year Percentage Change in Mandatory Charges (Nominal Dollars) Since 1980

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UC’s Three Pillars of Excellence: Affordability

• In 2012-13, UC’s average in-State tuition and fees were below two of four public comparators for undergraduates and three of four comparators for graduate academic students
• UC also utilizes higher return to aid than comparable institutions, therefore net tuition is even lower

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UC’s Three Pillars of Excellence: Quality

- A revised budget model needs to provide adequate resources to:
  - employ outstanding faculty and staff
  - recruit and educate outstanding undergraduate and academic/professional graduate students
  - engage in robust programs of research, scholarship, and creative activity
  - share its expertise and resources with the people of California
  - provide the infrastructure necessary to support all this
Student-Faculty Ratio Has Risen

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Since 1989-90, UC’s enrollment has grown at nearly twice the rate as faculty.

<table>
<thead>
<tr>
<th></th>
<th>Students (UC general campus FTE)</th>
<th>Faculty (UC general campus FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td>140,507</td>
<td>7,161</td>
</tr>
<tr>
<td>2010-11</td>
<td>220,293</td>
<td>9,367</td>
</tr>
<tr>
<td>change</td>
<td>+58.6%</td>
<td>+30.8%</td>
</tr>
</tbody>
</table>
Faculty Salaries Lag the Market

Faculty Salaries as a Percentage of Market

- Actual
- Market

- 100%
- 90%
- 80%

1999-00 2003-04 2007-08 2011-12

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Four Essential Elements of a Long-Term Funding Plan

- Stable and predictable funding from the State
- Leveraging of alternative revenues
- Achieving administrative efficiencies
- Stable and predictable tuition and fee plan
Governor’s Multi-year Funding Plan

- State General Fund increases of 5% in 2013-14 and 2014-15 and 4% increases in 2015-16 and 2016-17
- State funding increases contingent on no tuition and fee increases over four-year period
Governor’s Multi-year Funding Plan

- 5% State General Fund increase yields a 2.1% overall increase in Core Funds (assuming no tuition and UC General Funds increases)
Elements of Long-Term Budget Model

- **Mandatory Costs** - cost increases that are unavoidable
- **High Priority Costs** - budget items that are discretionary but are essential for operating a world-class university
- **Reinvestment in Academic Quality** - areas identified as key to maintaining UC’s excellence
Cost Drivers

- Mandatory Costs
  - Employer Contribution to UCRP
  - Health Benefits
  - Annuitant Health Benefits
  - Academic Merit Program
  - Non-Salary Price Increases
Cost Drivers

• High Priority Costs
  – Compensation
  – Deferred Maintenance
  – Enrollment Growth
  – Capital Projects
Cost Drivers

• Reinvestment in Academic Excellence
  – Enhance undergraduate instructional support
  – Reduce student-faculty ratio
  – Support start-up costs for new faculty
  – Increase graduate academic student support
  – Reduce faculty and staff salary gap
2013-14 through 2016-17 Cost Drivers: UCRP Costs, $244 million
Cost Drivers: Employee and Retiree Health Benefits, $108 million
Cost Drivers: Academic Merits, $120 million

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Cost Drivers: Non-Salary Price Increases, $92 million
Cost Drivers: All Mandatory Costs, $564 million

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Cost Drivers: Compensation, $534 million
Cost Drivers: Deferred Maintenance, $100 million

Deferred Maintenance
Compensation
Non-salary Price Increases
Academic Merits
Employee and Retiree Health Benefits
UCRP Costs

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Cost Drivers: Enrollment Growth, $88 million

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Cost Drivers: Capital Funding, $60 million

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Cost Drivers: High Priority Costs, $782 million

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Cost Drivers: Reinvestment in Academic Quality, $200 million

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Solutions: 2013-17 State Augmentation, $576 million
Solutions: Asset Management and Other Fiscal Strategies, $120 million

Display 33
Solutions: Nonresident Supplemental Tuition and Indirect Cost Recovery, $65 million

Cost Drivers
- Nonresident Tuition and ICR
- Asset Mgt. & Other Fiscal Strategies
- 2013-17 State Augmentation
- Reinvestment in Academic Quality
- Capital Funding
- Enrollment Growth
- Deferred Maintenance
- Compensation
- Non-salary Price Increases
- Academic Merits
- Employee and Retiree Health Benefits
- UCRP Costs

Solutions
- Tuition and ICR
- Asset Mgt. & Other Fiscal Strategies
- Reinvestment in Academic Quality
- Capital Funding
- Enrollment Growth
- Deferred Maintenance
- Compensation
- Non-salary Price Increases
- Academic Merits
- Employee and Retiree Health Benefits
- UCRP Costs

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Solutions: Philanthropy, $80 million

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Remaining Gap: $705 million

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Tuition and fee increases in 2015-16 and 2016-17 would reduce gap to $354 million
Reducing Cost Drivers could narrow shortfall to $192 million

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Other Solutions

• Extend balance sheet strategies
  – Strategically invest more of our liquid assets
  – Borrow from balance sheet for UCRP

• Secure additional funding from State
  – For UCRP costs
  – Enrollment growth

• Alternate strategies in funding UCRS

• Reduce enrollment growth

• Implement additional budget cuts to core-funded programs