The Honorable Denise Moreno Ducheny  
Chair, Joint Legislative Budget Committee  
State Capitol, Room 5035  
Sacramento, California 95814

Dear Senator Ducheny:

Pursuant to Item 6440-001-0001, Provision 19, of the 2009 Budget Act, I am pleased to enclose the University of California’s report to the Legislature on the Implementation of Unallocated Budget Reductions in the 2008 and 2009 Budget Acts.

If you have any questions regarding this report, Associate Vice President Debora Obley would be pleased to speak with you. She can be reached by telephone at (510) 987-9112, or by e-mail at Debora.Obley@ucop.edu.

With best wishes, I am,

Sincerely yours,

Mark G. Yudof
President

Enclosure

cc: The Honorable Gloria Romero, Chair  
    Senate Budget and Fiscal Review Subcommittee #1  
       (Attn: Ms. Seija Virtanen)  
       (Attn: Ms. Cheryl Black)  
    The Honorable Wilmer Amina Carter, Chair  
    Assembly Budget Subcommittee #2  
       (Attn: Sara Bachez)  
       (Attn: Amy Rutschow)  
    Ms. Ana J. Matosantos, Director of Finance  
    Mr. E. Dotson Wilson, Chief Clerk of the Assembly  
    Mr. Gregory Schmidt, Secretary of the Senate  
    Ms. Diane Boyer-Vine, Legislative Counsel  
    Ms. Sara Swan, Department of Finance  
    Joint Legislative Budget Committee (18)  
    Interim Provost and Executive Vice President Lawrence Pitts  
    Interim Executive Vice President Nathan Brostrom  
    Senior Vice President Daniel Dooley  
    Vice President Patrick Lenz  
    Associate Vice President and Director Steve Juarez  
    Associate Vice President Debora Obley  
    Executive Director Jenny Kao
Implementation of Unallocated Budget Reductions in the 2008 and 2009 Budget Acts

Legislative Report

January 2010

UC is not just an institution of higher learning. Here, research aims higher. Service reaches higher. A higher level of excellence calls for a higher commitment.
UNIVERSITY OF CALIFORNIA


Item 6440-001-0001 of the 2009 Budget Act requires the University of California to provide the following report to the Legislature on Implementation of the Unallocated Reductions in the 2008 and 2009 Budget Acts:

“19. On or before January 10, 2010, the University of California shall provide a report to the Legislature and the Governor that describes the implementation of the unallocated reductions in the Budget Act of 2008 (Chs. 268 and 269, Stats. 2008), as amended by Ch. 2, Stats. 2009 3rd Ex. Sess.), and in the Budget Act of 2009 (Ch. 1, 2009–10 3rd Ex. Sess.) , as amended by (Ch. 1, Stats. 2009 4th Ex. Sess.). The report shall include, but not be limited to, information about changes in enrollment and in personnel costs, including compensation increases and decreases; receipt of funds related to the American Recovery and Reinvestment Act of 2009; new fee revenues; and other general purpose funding sources.”

Summary
The University of California has long been recognized as one of the greatest, if not the greatest, public universities in the world. Not only does UC educate over 226,000 students each year, but it also makes a vital and lasting contribution to the state’s economy and quality of life of California’s citizens. Economic prosperity, social mobility, and cultural opportunity have all been fueled by far-sighted investments in higher education.

With the State’s ongoing fiscal crisis, the University of California is facing perhaps the most perilous time of its 140-year history. California is steadily disinvesting in the University’s educational program even while demand for the University is at an all-time high. Institutions with which the University competes for high quality faculty and students are preparing to “raid” the University’s talent pool. Student fees are rising significantly, and yet are sufficient to address only a portion of the budget shortfall. The University itself is asking fundamental questions about its purpose and future in the state of California (see ucfuture.universityofcalifornia.edu for information on the University’s Commission on the Future ). The University has experienced unprecedented cuts in 2008-09 and 2009-10, and the prospects for returning to adequate funding sometime in the near future grow dim as the State’s ongoing structural deficit continues unabated. UC has responded to the fiscal crisis in a variety of ways, including implementing enrollment reductions, salary reductions, administrative efficiencies, and student fee increases; efforts continue to identify savings at the Office of the President and the campuses. However, the quality of a UC education, and all that comes with that quality for California at large, cannot be sustained without renewed significant investment from the State.
2008-09 and 2009-10 Budget Reductions

In 2008-09, the State’s ongoing budget deficit led the Governor to propose a budget for higher education that first funded the provisions of the Governor’s Compact with Higher Education, but then propose a 10% reduction from that higher budget. At the time the 2008 Budget Act was signed, State funding for UC was essentially held flat. As the State’s fiscal crisis grew during 2008-09, proposed budget cuts for 2008-09 and 2009-10 also grew. Ultimately, permanent and one-time cuts to UC’s budget for 2008-09 totaled $814.1 million, although these reductions were partially offset by State Stabilization Funds authorized by the federal economic stimulus act, as described below.

For 2009-10, permanent and one-time cuts in State funding total $637.1 million (from the level of State funding in 2007-08), essentially erasing the gains made over the earlier period of the Compact. These cuts, along with the $450 million in additional funding promised by the Compact for 2008-09 and 2009-10, mean that during 2009-10, permanent State funding is nearly $1.1 billion below the level called for by the Compact.

The fiscal problems associated with the inability of the State to provide the funding called for in the Compact – including funding for enrollment growth of more than 10,000 FTE students – and subsequent State funding reductions were further compounded for the University by unfunded cost increases for academic merit increases, collective bargaining agreements, health benefits costs, retirement costs, and purchased utilities. During 2008-09 and 2009-10, these unfunded costs for enrollment and other cost increases are estimated to total $368 million.

The unprecedented magnitude of these cuts amidst the cost pressures the University is facing has required that the University implement these unallocated reductions through multiple strategies, both on a systemwide and campus level.

American Recovery and Reinvestment Act (ARRA)

The American Recovery and Reinvestment Act (ARRA), signed by President Obama in February 2009, provided support for UC in several ways. State Fiscal Stabilization Funds, intended to help maintain support for education, was the primary direct source of stimulus funds available to the University. As of October 2009, UC has received $716.5 million in State Fiscal Stabilization Funds to help offset State funding reductions and support UC’s operating budget on a one-time basis, essentially backfilling most of the 2008-09 cuts to General Funds. These funds were used to cover payroll costs normally supported by those reduced General Funds.

Enrollment

UC has long accepted its obligation, as a land-grant institution and in accordance with the Master Plan for Higher Education, to provide a quality education to all eligible undergraduate students who wish to attend. This commitment was most recently underscored in the Compact with the Governor. In addition, in recent years, the University planned multi-year initiatives to re-balance the proportion of graduate and undergraduate students enrolled to better meet State workforce needs, particularly in the health science disciplines.
To accomplish these goals, it was estimated that University enrollment would need to grow by about 2.5% per year, consistent with the Compact, through the end of the decade as growth in high school graduates peaked. The University was planning for continued growth in graduate and professional enrollments after 2010-11, when demographic projections indicate there would be a significantly slower rate of growth in undergraduates.

The current State fiscal crisis has dramatically altered the University’s enrollment landscape. The State has been unable to provide funding for enrollment growth that occurred during 2008-09 and 2009-10, at a time when California’s high school graduating classes are at their highest ever and more and more students are succeeding in achieving eligibility for UC. As a result, in 2009-10, UC enrolls more than 15,000 FTE students for whom the State has not provided enrollment growth funding. This underfunding is exacerbated by the unprecedented State budget reductions that have occurred during this fiscal crisis.

In response to the State’s inability to provide the resources necessary to support enrollment demand, the University has taken steps to curtail enrollment growth. Because of the unfairness of late notice to students and their parents, no action was taken to reduce the number of incoming students during 2008-09. For 2009-10, UC enrolled 2,300 fewer new California resident freshmen as a means of slowing enrollment growth. This freshman reduction was partially offset by a planned increase of 500 California Community College (CCC) transfer students. The University took this action in order to preserve the transfer option in difficult economic times.

Accommodating enrollment without sufficient resources (except the student fee income associated with enrollments) means that new and existing students alike are affected by the lack of resources needed to support a high quality academic experience. Campuses are employing a variety of measures to deal with the budget shortfall – halting the hiring of permanent faculty, narrowing course offerings, increasing class sizes, curtailing library hours, and reducing support services for students – all of which are negatively impacting what has historically been an educational program characterized by excellence and opportunity.

During a budget crisis, such steps are necessary. But these actions are not sustainable over a long period of time. While acknowledging that access is important, the University cannot indefinitely accommodate larger numbers of students without adequate resources needed to provide them a UC-caliber education.

While reducing total enrollments, the University remains committed to the growth of the Merced campus. The Merced campus commenced its fifth year of operation in 2009-10 with a total enrollment of 3,400 students, reflecting strong student interest in Merced’s unique educational environment and programs. For 2010-11, the campus plans to enroll a total of 4,000 FTE students. Deferring growth at Merced is undesirable because it delays the point at which the new campus reaches “critical mass” enrollment and achieves economies of scale. Funding for faculty salaries and recruitment costs, as well as instructional technology, library materials, and expanded general support are needed to fully operate the campus. In recent years,
the State has provided one-time allocations to help support start-up costs. This funding was $14 million in 2005-06, 2006-07, and 2007-08. Per agreement with the State, this funding was to be phased out over several years at the same time that State funding for enrollment growth was provided. Funding declined to $10 million in 2008-09 and to $5 million in 2009-10, the intended final year of supplemental State support, but no State support for enrollment growth has been provided.

Given its small size, Merced is not capable of absorbing the additional instructional costs incurred by enrollment growth without State support. For the last two years, temporary funding to support enrollment at Merced has been redirected from other campuses. In addition, in 2009-10, additional funding was redirected to Merced from the savings from restructuring the Office of the President. However, the other campuses and UCOP are not inexhaustible sources of funding for further growth at Merced. The inability of the State to provide enrollment growth funding means that further growth in the near future at Merced must be reconsidered or other sources of support must be found.

Initiatives to expand health sciences programs in response to California’s workforce needs, such as the PRogram in Medical Education (PRIME), nursing, pharmacy, and public health, as well as the establishment of a new medical school at the Riverside campus, have been slowed or deferred. Planned enrollment growth in PRIME programs has occurred, but only by redirecting resources from the regular medical school program. In other words, overall medical school enrollments are not increasing, despite the urgent need in California for more medical school graduates.

Compensation Actions
In July 2009, the Regents approved a one-year salary reduction/furlough plan from September 2009 through August 2010 that is estimated to provide $184 million in one-time General Fund savings. Graduated salary reductions based on total salary levels range from 4% to 10% and furlough days range from 10 to 26 days over the year. Certain employees are exempt from the furlough plan, including most student employees, Lawrence Berkeley National Laboratory personnel, foreign national employees working with H visas, and employees whose funding comes entirely from extramural sponsored project funds. For those employees whose salaries are partially funded from extramural funds, the exclusion applies only to that portion of their salary.

Under a Furlough Exchange Program (FEP), certain faculty who are subject to the furlough and who receive extramural research funding, may be eligible to exchange furlough time with an equivalent amount of extramural funding. Under this program, savings from General Funds will still be realized, while faculty would devote extra effort towards their extramurally funded projects. For represented employees, implementation of the plan is subject to collective bargaining agreements and all applicable laws. During December 2009, the University reached an agreement with the Coalition of University Employees (CUE), similar to the furlough and salary reduction program affecting non-represented employees, under which CUE members will accept
salary reductions of 4 to 6 percent, depending on pay band, along with a corresponding number of temporary layoff days. Several other groups of represented employees are also participating in salary reduction programs similar to the furlough.

Additionally, the President and other senior members of the Office of the President and campus leadership agreed to reduce their salaries by 5% for one year, effective July 1, 2009. This was two months ahead of the furlough plan, which superseded the 5% cuts. Systemwide salary freezes for Senior Management Group members have also been imposed.

Bonus and incentive programs have been cancelled or deferred. The staff merit program for 2008-09 was eliminated and will not be implemented in 2009-10.

With furloughs come concerns about retention, particularly with respect to faculty. In 2007-08, the University instituted a four-year plan to eliminate the 9.6% faculty salary lag that existed between UC and its comparison institutions in 2006-07 and return faculty salaries to market. After one year of the plan in 2007-08, the faculty salary gap was reduced to 7.1%. However, the current fiscal crisis has delayed continuation of this plan, and the faculty salary gap widened again to 9.5% in 2008-09. Without a general salary increase in 2009-10 and with implementation of the furlough plan, the gap is expected to widen further to at least 16%.

While the merit and promotion system for academic employees has been maintained, estimated at an annual cost of $30 million, the University is deeply concerned about the effects of the salary lag and furlough plan on faculty retention, particularly for UC’s promising junior faculty, who often are supporting young families in a high-cost environment. A national economic recovery is likely to have daunting repercussions on recruitment and retention of high-performing faculty for UC. If and when endowments at private institutions recoup their losses and other states restore funding for public institutions, it is expected that those institutions will rapidly move to restore academic programs by recruiting faculty away from other universities. Between the salary gap and furlough plan, UC will likely find itself struggling to retain its own high quality faculty. UC’s prestigious faculty are the lifeblood of the University and attract billions in research dollars to the State. Loss of UC’s best faculty would have deep ramifications for both UC and the State.

UCOP Restructuring
Over the last two years, the Office of the President has undergone a thorough restructuring and downsizing. A total of $62.2 million in reductions from both unrestricted and restricted funds so far have been generated through a combination of program transfers and permanent budget reductions, with additional savings expected. Savings from unrestricted funds were redirected to support debt service payments not funded by the State, maintenance of new space on campuses, and enrollment growth at UC Merced. Savings from restricted sources must be used only for programs for which they were intended, but may be used to offset future cost increases or address other funding shortfalls within those programs where appropriate.
Debt Restructuring
UC has taken steps to delay principal payments totaling $150 million over 2009-10 and 2010-11, providing temporary relief to campuses. The University would achieve cash flow relief by restructuring some of its existing debt, essentially pushing debt service schedule to be paid over the next two years into future years, when the University will have additional cash flow flexibility and an improved fiscal outlook. The new, restructured debt service is assumed to amortize from fiscal year 2012-13 to 2020-21.

Strategic Sourcing
This initiative was designed as a comprehensive program focused on purchasing efficiencies that achieve significant cost savings and build and improve the internal infrastructure that supports the core procurement functions. Purchasing efficiencies include leveraging the University’s buying power and negotiating systemwide agreements, changes in delivery and payment practices which result in additional cost savings, and improving agreement compliance of the Strategically Sourced Agreements to take advantage of tiered-volume discounts. From its inception in 2004-05 through 2007-08, the Strategic Sourcing Initiative achieved $154 million in cumulative cost savings to the University. The 2008-09 savings results are estimated to be $64 million.

Energy Savings Program
Through an incentive program developed by the Public Utilities Commission, UC is pursuing $247 million in energy conservation projects that are expected to generate at least $36 million in annual energy savings at the end of three years (or about $18 million annually after debt service). Some of the energy projects will also help address UC’s growing capital renewal and deferred maintenance needs.

Campus Administrative Efficiencies
Campuses are engaged in wide-ranging activities to reduce costs. Most of the UC campuses are undertaking a thorough review of their administrative services and the delivery of these services to identify opportunities for greater efficiencies and process streamlining. This process should realize both cost savings and enhanced services to students, faculty, and staff. Particular opportunities for greater effectiveness lie in the areas of information technology, human resources, procurement, and the processing of financial transactions.

While each campus is taking actions best suited to its individual circumstances and needs, several common themes emerge:

- While each campus is distinct in its character as well as its fiscal situation, all campuses are approaching the issues with thorough consultation and deliberation.
- Every campus is firmly committed to protecting quality, access, and, as much as possible, the academic and student service programs.
- Further, each campus is setting priorities that over the next several years will advance those initiatives that continue to be important to the development of the institution while
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eliminating or curtailing programs that no longer serve the identified priorities of the campus.

- Most campuses are taking temporary measures in the current fiscal year through the use of one-time funds, vacancy control measures, and other steps, while they plan for permanent cuts through more deliberative processes.
- While using different approaches, campuses have embraced a process for identifying and eliminating redundancy and for avoiding across-the-board solutions to budget shortfalls.

The following provides a summary of the kinds of actions campuses have taken to address budget shortfalls. It is not an exhaustive list, but rather is representative of a wide variety of actions each campus is adopting.

- **Consolidation/Elimination of Programs** – All campuses are looking for opportunities to consolidate units and reduce duplication. For example, most campuses reported consolidation efforts around information technology (IT) improvements. Some campuses reported elimination of programs where it is clear the program is undersubscribed or no longer serving a campus priority.

- **Differential Budget Cuts** – Each campus has a consultative process to determine cuts to programs. All campuses have treated academic programs more favorably than administrative programs. Some campuses assigned a targeted cut to all departments and then increased that reduction disproportionately for some units in order to protect others. Other campuses have asked departments to provide scenarios for cuts at various levels and then a central review process was used to determine which level is to be implemented. All campuses reported they had made graduate student support a priority. Some campuses, however, reported reducing the number of TA positions and eliminating other optional campus positions generally filled by students.

- **Slowing, Postponing, or Halting Initiatives** – Several campuses are in the midst of major initiatives or were poised to launch new programs. Riverside is exploring alternatives to State support for start-up funding for its medical school. The Merced campus has curtailed leasing of administrative space in Merced and instead is re-organizing existing space on the campus and at its Fresno facility to house staff. San Francisco is deferring initiatives related to IT, a research data base, a web portal, child care expansion, renovations and other actions.

- **Layoffs** – Most campuses reported they have instituted layoffs or will do so in the near term. To date, 884 employees have been laid off and another 1,000 are expected in the coming year. All campuses expressed a priority in achieving savings primarily through retirement and natural attrition. Nearly 2,000 positions have been eliminated and another 2,000 are expected to be eliminated in 2009-10.

- **Staff Hiring Freezes** – All campuses have some form of hiring freeze in place, although some are more strictly controlled at the central level (generally at the smaller campuses) while others are determined at the departmental or college level (generally at the larger campuses). In some instances, the unfilled position is “swept” centrally and thus lost permanently to the
department. In other instances, the position may remain in the department with no authority to recruit.

- Faculty Recruitment – All campuses have curtailed the number of faculty recruitments, in many cases by 50% or more. This is true despite the need for new faculty to replace those who are retiring or recruited by other institutions as well as to catch up with earlier enrollment growth.

- Program Assessments – All campuses impose upon auxiliaries some level of assessment to help defray the cost of overall campus infrastructure. Many campuses are reviewing this assessment to ensure auxiliaries and other non-State funded programs are paying their fair share, and most are considering increasing this assessment to some degree.

Given the continuing State fiscal crisis and the uncertainty over future State funding, campuses are continuing to review options for additional cost savings and elimination of programs.

**Academic Program Reductions**
The magnitude of the State budget reductions has meant that the University’s academic programs are being affected. Some of the measures being taken to address cuts include delaying hiring of new faculty and the elimination of course sections and even some programs. These decisions in turn mean larger class sizes, narrower offerings for students, and less opportunity for students to interact with leading scholars.

The impacts of even short-term actions on the academic programs are of great concern. For example, reduced course offerings and contact with faculty may undermine the strength of the academic community and lead to reduced student retention and lengthened time-to-degree. Meanwhile, due to loss of staff support, remaining faculty will be asked to assume more administrative tasks and more student advising, at a time when they are experiencing furloughs and salary reductions.

Furthermore, the inability to hire new faculty and the increased instructional workload for existing faculty will also have damaging impacts on the University’s research enterprise. UC researchers attract nearly $2.8 billion in federal and private research dollars to California, creating thousands of jobs and helping support graduate students, who will be the State’s next generation of scientists, engineers, entrepreneurs and leaders. The innovations and discoveries generated from UC’s research enterprise in turn lead to the creation of patents, as well as spinoff industries and startup companies.

Curtailment in hiring of faculty – and the risk of other institutions raiding the existing faculty – will have a direct impact on UC’s ability to generate the economic activity upon which this state has come to rely – the economic energy that will most certainly help the state recover from the current crisis. Disinvestment by the State in the University of California is precisely the opposite direction California should be taking in a time of fiscal hardship.
Student Fee Increases
Revenue from student fees is a major source of funding for the University’s core educational program, providing approximately $1.95 billion1 in 2008-09 to supplement State funding and other sources and help support basic operations.

Throughout the University’s history, reductions in State support of higher education in California have jeopardized UC’s commitment to affordability. Students now pay approximately 40% of the cost of education, while in 1990-91, they paid only 13% of the cost of education. Over the past 19 years, the State’s inflation-adjusted contribution per UC student has declined by more than 50%; fee levels have been increased to help backfill reductions in State funding but have not made up the entire loss. Unfortunately, in a period of declining State support, student fee increases have been and continue to be necessary if UC is to retain faculty, maintain course offerings, and preserve quality, as well as to preserve its mission to provide access to the State’s most talented students.

For 2008-09, the University delayed action on increases in mandatory systemwide fees until after release of the Governor’s proposed budget for 2008-09. As mentioned earlier, the Governor’s budget did not provide the funding needed to avoid student fee increases, instead proposing a 10% reduction in State funding to the University (after first funding a normal workload budget consistent with the Compact). Within this context, in May 2008 the Regents approved a 7% increase to the Educational Fee and a 10% increase to the Registration Fee for all students in 2008-09.

The 2009-10 budget plan adopted by the Regents at their November 2008 meeting was developed based on the Regents’ stated priorities for reinvigorating the University’s relationship with California and building and maintaining the quality of UC’s teaching and research core. The budget did not include an increase in student fees, but rather requested funding by the State to avoid fee increases. Because the Governor’s Budget released in January 2009 did not provide this funding, the Regents approved at their May 2009 meeting a mandatory systemwide student fee increase of 9.3% (equivalent to a 10% increase in the Educational Fee and a 4.2% increase in the Registration Fee) for 2009-10.

As actions at the State level in July 2009 dramatically reduced the State support for the University’s core operations for 2008-09 and 2009-10, at their November 2009 meeting the Regents approved mid-year fee increases for 2009-10. The revenue from these increases will be used to address State budget reductions, mandatory cost increases, and other pressing needs, as well as provide new funding for financial aid. Effective in January 2010, mandatory student fees are rising by 15% for undergraduate and graduate professional students and by 2.6% for graduate academic students (although students will only pay half the fee increase in 2009-10; the increase will be annualized for 2010-11). This mid-year fee increase is expected to generate $100.2 million

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1 In addition to systemwide mandatory fees and professional school fees, this figure includes nonresident tuition, but excludes fees charged at the campus level and UC Extension fees.
in 2009-10. (At their November 2009 meeting, the Regents also approved a 15% increase to mandatory systemwide fees for all students for 2010-11).

UC intends to maintain its commitment to assisting financially needy low- and middle-income students through its strong institutional financial aid program, which includes the Blue and Gold Opportunity Plan. Furthermore, UC will work with the State to ensure that the Cal Grant Program continues to cover mandatory systemwide fees for eligible UC students.

Financial aid for UC students was enhanced in several ways prior to July 2009, when the amendments to the 2009 Budget Act assigned new cuts to UC. For 2009-10, UC undergraduates experienced an influx of $190 million of new financial aid and benefits over 2008-09 levels. This new assistance derives from:

- Augmentations to the State Cal Grant to cover higher fees ($27 million);
- Return-to-aid from 2009-10 fee increases ($39 million);
- $3 million in federal economic stimulus funding expected for support of the University to fund the first year of the added cost associated with the Blue and Gold Opportunity Plan;
- An unprecedented influx of new resources for the Pell Grant program ($33 million); and
- Expanded tax credit eligibility under the federal stimulus package.

The tax credit expansion is especially notable because it benefits middle-income families with incomes up to $180,000 who are not eligible for regular financial aid resources that increase with fee levels and who are not eligible for UC’s Blue and Gold Opportunity Plan. The key enhancements provided by the new American Opportunity Tax Credit (AOTC—renamed from the previous Hope Tax Credit) included as a part of ARRA will benefit UC families as follows:

- An increase in the maximum credit from $1,800 to $2,500,
- An increase in the income ceiling from $116,000 to $180,000 for married filers ($58,000 to $90,000 for single filers), and
- An increase in the length of eligibility from two to four years of education.

These financial aid program enhancements meant that undergraduate students with family incomes below $180,000 experienced, on average, an increase of $1,200 - $1,500 in resources for education expenses for 2009-10.

In addition, the impact of the mid-year 2009-10 fee increases on many needy students is expected to be offset by additional funding from the Cal Grant program. This funding, combined with UC’s own return-to-aid funding, will provide enough additional funding to cover the fee increase for Cal Grant recipients and UC Grant recipients (generally those with parent incomes below $70,000). UC projects that, on average, students with incomes below $180,000 will experience
financial resource increases, either through gift aid or expanded tax credits, to cover the full amount of all fee increases for 2009-10.

Even with the mid-year 2009-10 fee increases, the University plans to maintain UC’s commitment under the Blue and Gold Opportunity Plan ensuring that mandatory systemwide fees, including the mid-year fee increase, are covered by gift assistance for eligible students. In 2009-10, the Blue and Gold Opportunity Plan ensures that financially needy California undergraduates with total family income under $60,000 have systemwide fees covered (up to the students’ need) by scholarship or grant awards. This financial aid initiative, new in 2009-10, helps ensure that UC fee charges do not deter the half of California households with incomes below $60,000 from aspiring to a UC education. The Plan covers an estimated 48,000 students in 2009-10.

In 2010-11, the Blue and Gold Opportunity Plan will be expanded to include eligible resident undergraduates with family incomes up to $70,000 (again, up to the students’ need). The cost of this program expansion is anticipated to cost $2.7 million and is expected to provide systemwide fee coverage to an additional 800 students who were not previously eligible for participation in the Plan.

In 2010-11, the University plans to continue to augment its student aid programs with a return-to-aid of 33 percent for new undergraduate fee revenue. These funds, together with anticipated increases in Cal Grant and Pell Grant awards, will provide additional support that will generally cover the systemwide fee increases for Cal Grant and UC Grant recipients, and will provide some coverage of other cost increases as well. The University will also use these funds to mitigate the impact of higher fees on financially needy middle-income students who would not otherwise be eligible for grant assistance; the University will cover one-half of the fee increase for these students. UC plans to increase eligibility for this coverage to include financially needy students from families with incomes up to $120,000 in 2010-11 (previously capped at $100,000).

In addition to the increased financial aid resources noted above, the University has announced an ambitious effort to raise $1 billion for student support over the next four years from private sources. This effort would double the amount of private support the system has raised for scholarships, fellowships and other gift aid in the previous five years. The effort recognizes the need to focus fundraising efforts more sharply on student support.