University of California
Three-Year Financial Sustainability Plan

November 19, 2014
The Budget Act of 2014 calls upon UC to develop and submit a “sustainability plan” with projections and goals through 2017-18

The plan must include:

- Projections of resources and expenditures
- Enrollment projections
- Goals for performance measures including:
  - Transfer enrollment
  - Pell Grant recipients
  - Student credit hours
  - Graduation rates
  - Degree completions
  - Total funding per degree
The Budget Act requires the plan to reflect funding assumptions provided by the Department of Finance (DOF)

The DOF assumptions specify:

• Annual State funding increases of 4% (equates to 1.7% increase in core funds in 2015-16)
• No increase for 2015-16, 2016-17, or 2017-18 in:
  – Tuition
  – Student Services Fee
  – Nonresident Supplemental Tuition
  – Professional Degree Supplemental Tuition
No plan consistent with the DOF’s assumptions can be called a “sustainability plan”

• The University of California’s combination of access, affordability, and excellence is unmatched anywhere in the world

• Sustaining that track record requires resources

• Access, affordability and excellence cannot all be sustained under the DOF’s assumptions given the large unrestored cuts UC has sustained
The University proposes a different plan to sustain and enhance access, affordability, and excellence

- Moderate, predictable annual increases of up to 5% in student charges
- Annual increases in State support of 4% – or more to “buy out” tuition increases
- Continued efforts to maximize efficiency
- Aggressive alternative revenues (e.g., philanthropy)
The plans represent two very different visions for the University of California

<table>
<thead>
<tr>
<th>The University’s Plan</th>
<th>The Plan Resulting from DOF’s Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CA enrollment growth that maintains UC’s Master Plan commitment</td>
<td>• Large decline in CA student enrollment, leaving UC unable to honor Master Plan promise to all eligible CA students</td>
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<tr>
<td>• More transfer students from California Community Colleges</td>
<td>• UC could serve fewer CA freshman and CCC transfer students</td>
</tr>
<tr>
<td>• Increasing student diversity and opportunity for all Californians</td>
<td>• Large declines in student diversity and students from low-income households</td>
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</tbody>
</table>
Compared to the University’s plan, the plan based on DOF’s assumptions could result in 18,000 fewer CA residents by 2017-18

- Under the University’s plan, CA undergraduate enrollment would grow by 3,000 by 2017-18 (and by a total of 5,000 by 2020-21)
- Under the DOF’s assumptions, CA undergraduate enrollment would decline by over 15,000 students by 2017-18
Compared to UC’s plan, the plan based on DOF’s assumptions would lead to dramatically higher nonresident enrollment

- Under the University’s plan, nonresident enrollment would grow moderately without displacing CA residents
- Under the DOF’s assumptions, nonresidents would displace CA students because other revenue sources would be prohibited

Projected Change in Nonresident Undergraduate Enrollment

- University's Plan
- Plan based on DOF’s Assumptions

<table>
<thead>
<tr>
<th>Year</th>
<th>University's Plan</th>
<th>Plan based on DOF’s Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>2015-16</td>
<td>25,000</td>
<td>+18,807</td>
</tr>
<tr>
<td>2016-17</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>35,000</td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>2019-20</td>
<td>45,000</td>
<td></td>
</tr>
<tr>
<td>2020-21</td>
<td>50,000</td>
<td></td>
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Because California students are ethnically diverse, the DOF’s assumptions would reduce UC student diversity

- Under the University’s Plan, CA resident enrollment would grow and diversity would increase
- Under the DOF’s assumptions, fewer CA residents enrolled would result in declining undergraduate diversity

**Projected Change in Undergraduate Underrepresented Minority Students**

- University’s Plan
- Plan based on DOF’s Assumptions

Projected change: -7,523
Under the University’s plan, the number of transfer students will continue to increase. Under the DOF’s assumptions, UC would enroll fewer transfer students.

- Transfer students would continue to rise steadily under the University’s plan.
- Under the DOF’s assumptions, CCC transfers would decline due to increases in nonresident freshman enrollment.

Projected Change in California Community College Transfer Students

- University's Plan
- Plan based on DOF’s Assumptions

<table>
<thead>
<tr>
<th>Year</th>
<th>University's Plan</th>
<th>Plan based on DOF’s Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td>2015-16</td>
<td>36,000</td>
<td>-1,857</td>
</tr>
<tr>
<td>2016-17</td>
<td>34,143</td>
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<tr>
<td>2017-18</td>
<td>32,386</td>
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Decisions about UC funding will have real and lasting consequences for students – and for California

• Under both plans, **UC would strive to maintain academic excellence**
  – Quality can be lost quickly and take decades to rebuild

• The consequences associated with the DOF’s plan are avoidable
  – A **realistic funding plan** that represents a partnership between the University, its students, and the State would maintain access, affordability, and excellence for all students