



UNIVERSITY OF CALIFORNIA

*2009-10 Budget for Current Operations  
Summary of the Budget Request*

AS PRESENTED TO THE REGENTS FOR APPROVAL

The last several months have been a period of extraordinary economic upheaval. Financial markets at home and abroad have exhibited a volatility not seen in generations, and the impacts have been felt in every household. Here in California, these shocks have only added to existing pressures arising from constrained State resources and an ongoing structural budget deficit.

Challenging times call upon all institutions to contribute to solutions. Since taking office as President in June of this year, I have placed a priority on developing new processes to ensure that the University of California system makes the best use of the resources entrusted to it.



- We are implementing a new system of accountability, which will provide the public with a new level of transparency about the University's performance and will give elected leaders a clearer view of the return on their investment in the University.
- We are reducing central administrative expenditures and sharpening the role of the system office in Oakland as part of an effort to create new operational efficiencies.
- And we are instituting new performance evaluation systems for our campus and systemwide leaders, with clear definition of objectives and more rigorous measurement of success.

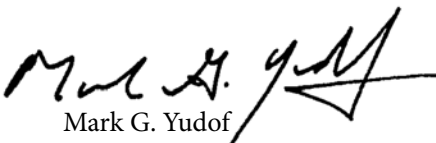
These are important steps that I will continue to pursue vigorously. Yet they do not mitigate the need for strong investment by the state in its economic engine — our colleges and universities.

California's economic successes have been built largely on knowledge created by the campuses of the University of California. Every Californian benefits from the work of the UC system, whether through the jobs and businesses it generates, the state-of-the-art health care it provides, or the quality-of-life improvements it catalyzes.

The State's investment in UC provides the core funding for the education of more than 220,000 students per year — our future entrepreneurs, innovators, medical practitioners, and artistic leaders. But this State funding does much more; it also serves as seed money, generating a multiple return on investment by attracting billions in federal and private dollars for research, public service, and health care. This funding, in turn, fuels the California economy — but without the State's core investment, it would go elsewhere.

As this document describes, the UC system has worked to sustain its contributions to California despite a level of State investment that has failed to keep pace with inflation and enrollment growth. As we work to make the institution as responsive and accountable as possible, we also must provide a level of public investment that will keep UC strong for California and pre-eminent among the world's research universities.

I look forward to working with the State's leaders on a budget that reflects California's economic condition but that, just as importantly, positions our state to grow strongly out of it. The University of California looks forward to being of continued service to the people of California.

  
Mark G. Yudof  
President

## University of California 2009-10 Budget Priorities

The University's 2009-10 budget request is a statement of the minimum resources needed to provide access and maintain quality.

*To reinvigorate its relationship with California, the University is proposing to:*

- expand access by continuing to find a place for all eligible California students through enrollment growth and by maintaining robust student financial aid programs;
- enhance support for graduate students who are a critical element in the research enterprise, an enterprise that often leads to groundbreaking discovery and innovation;
- maintain quality in professional schools to develop California leadership in fields as diverse as health sciences, business, and law;
- support development of the new campus at Merced to expand undergraduate access, especially for the underserved San Joaquin Valley, and support unique student-centered learning;
- plan for a new medical school on the Riverside campus to help meet the State's workforce needs for more physicians;
- promote cutting edge research in emerging science and technology fields through the California Institutes for Science and Innovation; and
- advance research and education on issues critical to the state's workforce and economy.

*To build and maintain the quality of its teaching and research core, the University is proposing to:*

- restore competitive compensation to attract and retain quality faculty and staff;
- ensure the continued fiscal viability of its retirement program;
- strengthen core academic support by investing in up-to-date instructional technology, equipment, libraries, and ongoing maintenance;
- restore instructional budgets and attain adequate student-faculty ratios; and
- keep pace with inflation.



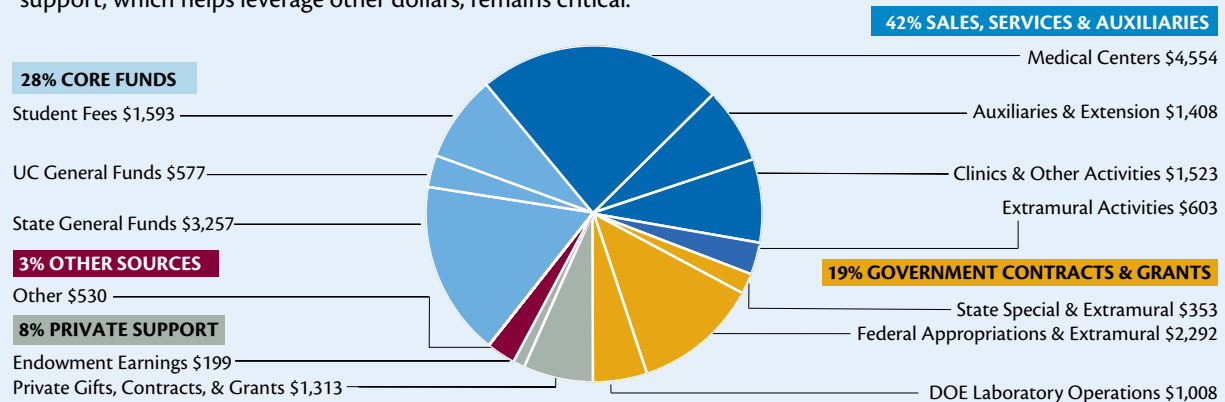
## Overview of the University Budget for Current Operations

As the University of California has thrived, so has the State of California. Economic prosperity, social mobility, and cultural opportunity — all have been fueled by far-sighted investments in higher education. To maintain California's leadership role and to meet the changing needs of future generations, California must continue to invest, including providing core support for its world-class research university system.

Operating revenue, estimated at \$19.6 billion in 2008-09, funds the University's core mission programs of teaching, research, and public service, as well as a wide range of other activities, including teaching hospitals, the Lawrence Berkeley National Laboratory, University Extension, housing and dining services, and sponsored research.

**DISPLAY 1**  
**2007-08 EXPENDITURES FROM ALL FUND SOURCES**  
 (DOLLARS IN MILLIONS)

UC's operating expenditures, totaling \$19.2 billion in 2007-08, consist of funds from a variety of sources. State support, which helps leverage other dollars, remains critical.







The University's "core funds," including State General Funds, UC General Funds, and student fee revenue, provide permanent support for these core mission and support activities. Totalling \$5.4 billion in 2008-09, these funds represent nearly 30% of the University's total budget. Much of the focus of the University's strategic budget process and negotiation with the State is dedicated to the uses of these fund sources.

The State portion of the University's core funds, totaling more than \$3 billion annually, is the largest single fund source providing core support for the University. Over the last two decades, student fees have helped to make up for declines in State support for UC, but overall funding per student has declined in inflation-adjusted dollars.

Yet State General Funds remain extremely critical, for they make it possible to attract funds from other sources. For example, for every State dollar specifically invested in research, UC leverages nearly \$5 more from the federal government and other non-State sources. State funds also help attract significant private funding.

More than 35 years of devastating cuts in State funds per student (adjusting for enrollment growth and inflation) have reduced the University's competitiveness and have destabilized the quality of the academic program. The historic investment the State has made to develop one of the finest public university systems in the world must be preserved if the University is to continue to provide the State with the economic and social benefits that derive from a great institution of research and learning. Restoration of funds for high priority needs will be a critical step in preserving and nurturing the State's investment for the future.

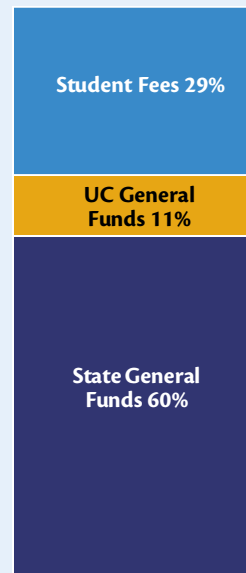
Other sources of funds include federal research funds, teaching hospital revenue, private gifts and endowments, and income from self-supporting enterprises. Use of these funds is restricted, which means they generally cannot be used to support activities other than those specifically designated. But such funds help augment and complement the University's core activities of instruction and research, providing support functions, public service to the State and its people, and a rich social, cultural, and learning environment on UC campuses. The University's annual budget plan is based on the best estimates of funding available from each of these sources.

## DISPLAY 2

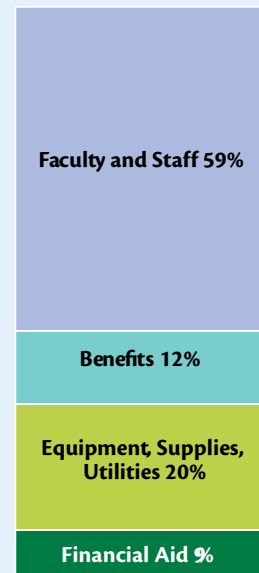
### 2007-08 REVENUE AND EXPENDITURES FROM CORE FUNDS

Three major fund sources make up UC's core operating budget, with the majority of expenditures funding faculty and staff salaries and benefits.

#### REVENUES



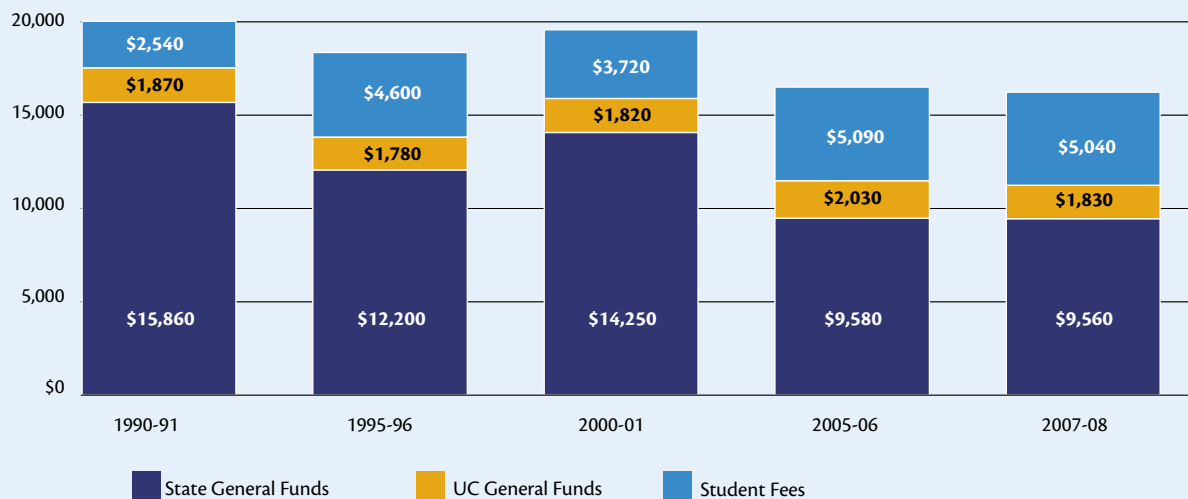
#### EXPENDITURES





**DISPLAY 3**  
**PER-STUDENT AVERAGE EXPENDITURES FOR EDUCATION**  
 (2007-08 DOLLARS)

Since 1990-91, average inflation-adjusted expenditures for educating UC students declined 19%. The State's share of expenditures plunged even more steeply — 40%. Over this period, the student share, net of financial aid, has more than doubled, from 13% to 31%.





## Summary of the University's 2009-10 Budget Request

The University's budget plan for 2009-10 is being developed in the context of the continuing uncertainty over the State's ability to fund basic costs. While the State was able to provide significant new funding for the University during 2005-06 through 2007-08, in 2008-09 the State faced significant revenue shortfalls and an unresolved budget deficit. For the University, the 2008-09 budget includes cuts of \$48.7 million compared to the prior fiscal year. Thus, no new funding was provided for the 5,000 FTE enrollment growth campuses accommodated or other mandatory cost increases incurred, such as health benefits, merit salary increases for faculty, maintenance of new space, utility costs, and non-salary price increases, all of which the University funded by redirecting dollars from existing programs. The total cost of these reductions is \$148.7 million.

Nevertheless, it is important that the University continue to promote awareness on the part of the State and others regarding the University's need for adequate support. While it is recognized that the State would have considerable difficulty fully funding the University's request, the budget plan developed and justified in this document and its companion, the *2009-10 Budget for Current Operations-Budget Detail*, reflects the priorities endorsed by The Regents and the planning parameters provided by the Compact with Governor Schwarzenegger. It should be noted that one element, funding to restart employer contributions to the University's retirement plan, will require a significant increase from the State, and indeed from all fund sources supporting employees in the University. Display 4 summarizes the proposed increases in revenue and expenditures for 2009-10.



**DISPLAY 4**  
**2009-10 BUDGET REQUEST<sup>1</sup>**  
(DOLLARS IN MILLIONS)

**2008-09 OPERATING BUDGET**

State General Funds					\$3,070.3
State General Funds, UC General Funds, and Student Fee Revenue					5,398.9
<b>PROPOSED INCREASES IN REVENUE</b>			<b>PROPOSED INCREASES IN EXPENDITURES</b>		
<b>State General Funds</b>			<b>Compensation and Non-salary Items</b>		
Base Budget Adjustment	4%	\$123.0	Ladder Rank Faculty	5%	\$54.5
Core Academic Support	1%	30.8	Other Academics and Staff	5%	72.0
2008-09 Enrollment Growth	5,408 FTE	61.4	Health Benefits	11%	30.8
2009-10 Enrollment Growth	5,406 FTE	60.9	Retirement Contributions	9.5%	270.8
Annuitant Health		11.0	Purchased Utilities	10%	24.1
Retirement Contributions <sup>2</sup>	9.5%	228.0	Non-salary Cost Increases	3%	21.6
<b>UC General Funds</b>			Core Academic Support		30.8
Nonresident Tuition		7.6	<b>Enrollment Growth and Related Workload</b>		
Indirect Cost Recovery		7.0	PRIME Expansion	122 FTE	3.3
Other		0.9	Other Enrollment Growth	10,692 FTE	137.4
<b>Student Fees</b>			Maintenance of New Space		9.7
Registration Fee Increase	0%	-	Professional School Programs		13.3
Educational Fee Increase	0%	-	<b>Initiatives</b>		
Professional Fee Increases	0%	-	Faculty Market Adjustments	2.5%	24.4
Enrollment Growth		44.7	Graduate Student Support		10.0
<b>Additional State Funding or Equivalent Increase in Student Fees</b>			Instructional Program Restoration		10.0
		<b>109.6</b>	Labor Research Restoration		5.4
<b>Additional Funding Needed for Initiatives</b>			UCR Medical School		10.0
Faculty Market Adjustments		24.4	California Science Institutes		10.0
Graduate Student Support		10.0	<b>Financial Aid</b>		
Instructional Program Restoration		10.0	Return-to-Aid from Fee Increases		-
Labor Research Restoration		5.4	Return-to-Aid from Enrollment Growth		16.5
UCR Medical School		10.0	<b>TOTAL INCREASE IN EXPENDITURES</b>		
California Science Institutes		10.0			<b>\$754.6</b>
<b>TOTAL INCREASE IN REVENUE</b>			Percentage Increase		14.0%
		<b>\$754.6</b>			

<sup>1</sup>Excludes one-time funds and lease revenue payments.

<sup>2</sup>State General Fund and student fee share; does not include UC General Fund share.

## Summary of Proposed Revenue

The University's plan calls for funding proposed new expenditures by achieving increases in revenue from State funds and non-State revenue totaling \$815.4 million.

**State General Funds.** In keeping with the Compact, State General Funds are proposed as follows:

- a base budget adjustment of 4% to be used to fund increases for salaries, employee health and welfare benefits, and other costs;
- enrollment funding for growth of 2.5%, or 5,406 FTE students for 2009-10, at the agreed-upon marginal cost of instruction;

- additional funding for enrollment growth that occurred but was not funded during the 2008-09 year, totaling 5,408 FTE students at the marginal cost level;
- an additional base budget adjustment of 1% for funding increases to core academic needs;
- funding for annuitant health cost increases; and
- funding for the State's share of the cost of re-starting contributions to the University's retirement plan.

**UC General Funds.** UC General Funds are expected to increase primarily through growth in indirect cost recovery on research contracts and grants and a 5% increase (\$1,000) in nonresident tuition for





undergraduate students. Due to continuing concerns about the University's ability to recruit high quality graduate students and the need to ensure that the University's graduate student support packages are competitive with those of other institutions seeking the same high quality students, no increase in nonresident tuition for graduate students is proposed for the fifth year in a row.

**Student Fees.** Aside from the proposed increase in undergraduate nonresident tuition, the University is making no proposal to increase mandatory systemwide student fees (Educational and Registration Fees), professional school fees, or related student financial aid at this time. Instead, similar to last year, the University proposes to delay action on student fees until more is known in January 2009, after the Governor's proposed budget for 2009-10 is released. The University's budget plan proposed for 2009-10 includes a request for additional General Funds to avoid increases in student fees (equivalent to 9.4% for mandatory student fees and 5-24% for professional school fees). The State is advised that absent these additional funds, student fee increases will be required. In the event student fee increases are implemented for the coming year, it would be the University's intention, as it has done in the past, to provide financial aid to cover the fee increases for needy students. Student fee revenue will also be generated through enrollment growth.

**Additional Funding Needed for Initiatives.** The increases in revenue described above will not be sufficient to fund all of the expenditure priorities

identified in Display 4 and described in more detail later in this document. Additional funding above the new revenue requested from the State or generated through indirect cost recovery and student fee increases is needed to fund the following initiatives:

- an additional 2.5% for ladder rank faculty market adjustments that will help to continue to close the faculty salary gap by 2011-12;
- an increase for graduate academic student support, necessary to improve the University's competitive position to attract the best graduate academic students;
- the fourth increment of funding targeted at restoring cuts that occurred in instructional budgets during the State's fiscal crisis at the beginning of this decade;
- funding to continue labor research and education;
- start-up funding for a new medical school on the Riverside campus; and
- funding for operating support of the California Institutes for Science and Innovation.

Thus, the budget plan requires the identification of an additional \$69.8 million dollars to fully fund all priorities.

The budget plan also assumes continuation of one-time funding for Merced needed for start-up costs as the campus continues to ramp up enrollments, although the one-time funding is being reduced from \$10 million in the current year to \$5 million in the budget year, in accordance with a phase-out plan for these funds by 2010-11.

In addition, except for the State's ongoing fiscal constraints, the University would have requested one-time funding for deferred maintenance and capital renewal. No State funding has been provided for deferred maintenance since 2002-03. The University's deferred maintenance backlog for high priority projects now exceeds \$800 million, reflecting the lack of predictable and adequate capital renewal funding to replace building and infrastructure systems that have reached the end of their useful lives. This is a critical unmet need that must be addressed in future years.

**The proposed budget plan represents an increase of \$754.6 million, or 14.0%, over the current year, when calculated on a base that includes programs funded from State and UC General Funds and student fees (Educational fee, University Registration fee, and the Fee for Selected Professional School Students).**



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**Student Fees.** At this time, the University is not asking The Regents to increase student fees for 2009-10. Instead, similar to last year, the University will delay action on student fees until more is known after the Governor's 2009-10 budget proposal is released. Recognizing the variety of factors that must be considered and the likelihood that State funds will not be available to fully support the University's core operating budget, the budget plan proposed for 2009-10 includes an assumption of revenue associated with a 9.4% increase in mandatory systemwide student fees (a 10% increase in the Educational Fee and a 4.2% increase in the Registration Fee) as well as increases in professional school fees ranging from 5% to 24%, depending on the campus and program. It would be the University's intention, as it has done in the past, to augment UC financial aid to mitigate the impact of cost increases, including fees, on needy students. Student fee revenue will also be generated through enrollment growth.

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The proposed budget plan represents an increase of \$815.4 million, or 15.1%, over the current year, when calculated on a base that includes programs funded from State and UC General Funds and student fees (Educational fee, University Registration fee, and the Fee for Selected Professional School Students).



## Expenditure Components of the 2008-09 Budget Plan

**Expanding Access through Enrollment Growth—\$150.4 million.** 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, the University is embarking on 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 is estimated that University enrollment would need to grow by about 2.5% per year, consistent with the Compact, through the end of the decade when growth in high school graduates will peak. The University is planning for continued growth in graduate and professional enrollments after 2010-11, when demographic projections indicate there will be a significantly slower rate of growth in undergraduate enrollments.

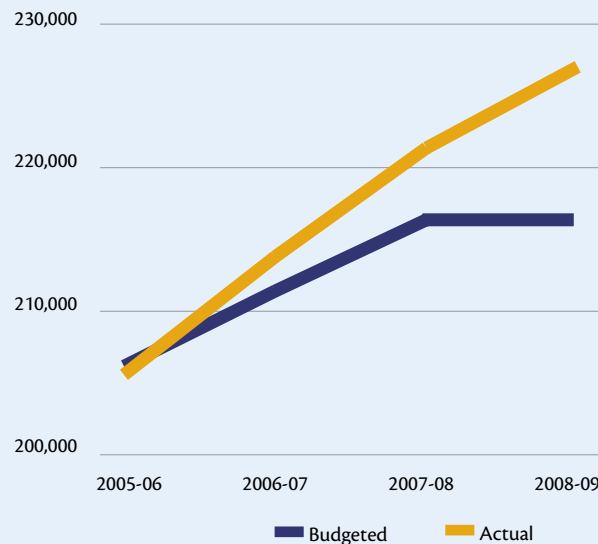
The current State fiscal crisis led to a budget for 2008-09 for the University that provided no funding to accommodate enrollment growth in the current year, among other unfunded priorities. Yet, because of the late notice to students and their parents associated with curtailing enrollments at the time the Governor's intention became known (two months before admission notices were to be transmitted), the University made a decision to accommodate normal enrollment growth despite the lack of resources to support new students. Including previous over-enrollment, the University is now more than 10,000 students larger than the budget is able to support.



### DISPLAY 5

#### BUDGETED AND ACTUAL FTE STUDENT ENROLLMENT

The Compact called for enrollment growth of 2.5% annually through the end of the decade to accommodate Tidal Wave II and expansion of graduate enrollments. Enrollments have grown more rapidly than expected, leading to over-enrollment. In 2008-09, with no new funding from the State to support growth, the University is now more than 10,000 students over-enrolled.



Accommodating enrollment growth with few additional resources (except the student fee income associated with the growth) meant new and existing students alike would be impacted by the lack of resources to support a high quality academic experience. Campuses are employing a variety of measures to deal with the budget shortfall — fewer permanent faculty, narrower course offerings, larger class sizes, shorter library hours, and reduced 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 if the quality of the University is to be preserved. While acknowledging that access is important, the University cannot indefinitely accommodate larger numbers of students without the resources needed to provide them the kind of education they expect from UC.

For 2009-10, the University is seeking State funds to support the 2.5% enrollment growth that occurred in 2008-09 as well as an additional 2.5% growth for 2009-10,

for a total of increase of 10,814 FTE students over 2007-08 budgeted enrollments. Based on an estimated marginal cost of instruction rate of \$11,076 per full-time equivalent student, the University is seeking \$122.3 million in State funds. This funding, along with student fee revenue associated with enrollment growth, will support faculty salaries, instructional and other support activities, and maintenance of new space. A portion of student fee revenue will also be set aside for financial aid.

If, however, the State is unable to support the University's request, beginning in 2009-10, the University will consider options for bringing enrollments more into line with resources. This would require slowing enrollment growth over the next several years until enrollments match the budget available to accommodate them. For 2009-10, fewer students would be admitted to the campus or campuses of their choice and more applications would be sent to the referral pool for accommodation at Merced. While this should not be characterized as a major departure from the University's historic commitment to the Master Plan, it may mean students will have fewer campus choices for accommodation at UC and may choose to pursue their education elsewhere.

### DISPLAY 6

#### FTE STUDENT ENROLLMENT BY CAMPUS

	2007-08 ACTUAL	2008-09 BUDGETED	2008-09 ESTIMATED
Berkeley	34,989	33,296	35,367
Davis	30,350	29,610	30,834
Irvine	28,268	27,234	28,683
Los Angeles	38,130	37,325	38,530
Merced	1,903	2,000	2,877
Riverside	17,286	17,207	18,050
San Diego	28,315	27,784	29,362
San Francisco	4,141	3,784	4,285
Santa Barbara	21,919	22,000	22,526
Santa Cruz	16,012	16,075	16,464
<b>Total</b>	<b>221,313</b>	<b>216,315</b>	<b>226,978</b>





The Merced campus opened for its fourth year of full operation in 2008-09 with total enrollment of more than 2,800 students. Enrollment is higher than expected, indicating strong student interest in Merced's unique educational environment and programs. For 2009-10, the campus plans to enroll a total of 3,400 FTE students. While enrollment during the first several years was lower than planned, the campus has taken a variety of measures to step up recruitment and improve the curricular and physical environment to attract more students. In addition, enrollment plans were revised to reflect a slightly slower annual growth than originally anticipated — approximately 675 students per year, down from 800 FTE annually as originally projected. By 2010-11, the campus expects to enroll more than 4,000 FTE students and plans to reach 5,000 students by 2012-13.

In addition, expansion of health sciences programs is planned in accordance with recommendations included in an April 2005 report issued by the Universitywide Health Sciences Committee, "Workforce Needs and Enrollment Planning." Based on that study, enrollment increases in the health sciences were recommended for medicine, nursing, pharmacy, public health, and veterinary medicine.

**Medicine.** The University is requesting a total of \$3.3 million to continue expansion of medical school enrollment through PRIME programs (PRograms In Medical Education), designed to attract and prepare more medical students to provide care to underserved populations in the state. This includes funding for growth of 69 students that occurred in 2008-09, but was not funded by the State. In 2009-10, these programs will expand by 61 students, for a total of 192 additional medical students at all five medical schools (Davis, Irvine, Los Angeles, San Diego, and San Francisco) as well as programs at Berkeley and Riverside.

**Nursing.** In recent years, the University has developed a plan for multi-year increases in undergraduate and graduate nursing programs to help meet the state's critical shortage of both practitioners and nursing faculty. That plan had called for increasing the number of undergraduate and graduate nursing students by over 70% — from 823 enrolled students in 2005-06 to a total of roughly 1,440 by 2009-10. In addition to enrollment increases proposed in the four-year plan, further increases are now being planned for UC Davis and possibly other UC campuses. In 2008-09, the plan called for enrolling additional undergraduate, graduate academic, and graduate professional nursing students. The Governor's Budget did not provide funding for this enrollment growth. As a consequence, the University accommodated some new growth at the undergraduate level, despite no new resources, but did not grow as planned at the graduate level.

For 2009-10, the University is proposing to add funding for the 32 graduate professional masters students and 10 Doctor of Nursing Practice (DNP) students requested but not funded in 2008-09, 100 undergraduate nursing students to support the unfunded 2008-09 growth, and an additional 50 undergraduate nursing students to support the next phase of a planned multi-year expansion of undergraduate nursing. Total cost of this growth is \$2.3 million, including supplemental State funding above the regular marginal cost rate for graduate professional students.

**Public Health.** Another area of major concern for the state is public health. Beginning in 2009-10, the University proposes to initiate a multi-year plan to expand enrollment in public health programs to address increasing demand due to new and emerging public health threats and demographic trends. In 2008-09, UC had planned to increase enrollments in the Berkeley and Los Angeles public health programs and begin new programs at Davis and Irvine. However, because the State did not provide funding for enrollment growth, this plan was deferred. For 2009-10, the University is proposing to add 136 professional masters and doctoral students requested but not funded in 2008-09, as well as funding for 49 graduate academic students in public health programs, at a total cost of \$2.5 million, including supplemental State funding above the regular marginal cost rate for graduate professional students.



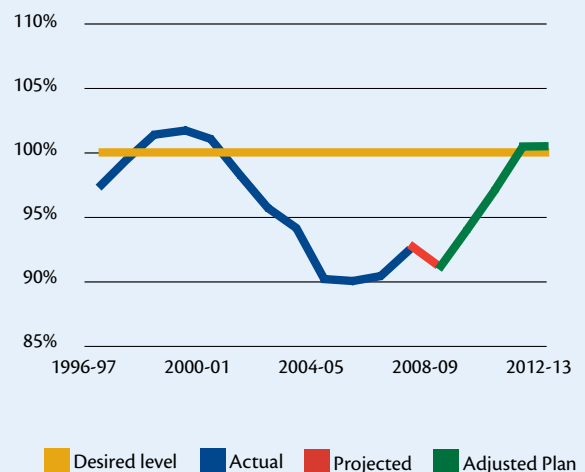
**Restoring Competitive Compensation for Academic and Staff Employees—\$181.8 million.** Attracting and retaining quality faculty and staff to the University of California are critical to building and maintaining the excellence of the University's teaching and research programs.

Earlier cuts to the University's budget have resulted in significant disparities in faculty and staff salaries as compared to the market. In 2007-08, UC faculty salaries lagged the market by about 7.1% and there is a similar or greater problem with respect to staff salaries. For 2008-09, no new funding was provided for compensation increases, so no progress is being made on closing this gap in the current year. Moreover, to the extent that other institutions and staff in similar markets are receiving salary increases, the University's competitive position will worsen.

The University is deeply concerned about the widening gap between funds available to support salary increases and the resources needed to fund more competitive salaries. Market lags make it difficult to attract and retain faculty, staff and senior leadership, which is

#### DISPLAY 7 LADDER RANK FACULTY SALARIES AS A PERCENTAGE OF MARKET

After one year of the faculty salary plan, the market lag of UC's faculty salaries improved from 9.6% in 2006-07 to 7.1% in 2007-08. However, with no range adjustments in 2008-09, it is expected that the gap will widen again in 2008-09. Returning faculty salaries to market will require salary increases of 7.5% annually over three years.



particularly important during this period of significant enrollment growth.

Studies of UC's total compensation program indicate that, in general, salaries are significantly below the market median, but that the total compensation package, including salaries, health and welfare benefits for active employees and annuitants, and retirement system benefits, is more competitive with the market at present. However, it is anticipated that the employer-provided value of the benefit package will decrease in the next few years as employer and employee contributions to the retirement system are phased in. In addition, funding over the next several years likely will not be adequate to match the inflationary cost increases in health and welfare benefits, requiring that employees pick up an increased share of their medical insurance premiums. Although the benefits provided by the University are an important component of the packages offered to candidates, the salary component itself must be competitive to attract and retain quality faculty and staff employees if the University is to retain its stature.

If funding is available in 2009-10 for compensation increases, the University's goal will be to move toward achieving a market-based competitive compensation program for all employees. Thus, the University's budget plan for 2009-10 includes a compensation package of 5% for faculty and staff funded from State and UC General Funds and student fee income. Consistent with past practice, compensation increases for employees supported from other fund sources, including teaching hospital income, auxiliary enterprises, federal funds, and other sources, must be funded from those sources and must conform to the University's established systemwide salary programs for State-funded employees.

The 5% compensation package proposed for 2009-10 includes the following elements:

- funding for merit salary increases for eligible employees;
- general range adjustments effective October 1 for eligible employees;
- market-based and equity salary increases; and
- health and welfare benefit cost increases.

Actual salary and benefit actions for University employees may be subject to notice, meeting-and-conferring, and/or consulting requirements for represented employees under the Higher Education Employer-Employee Relations Act.



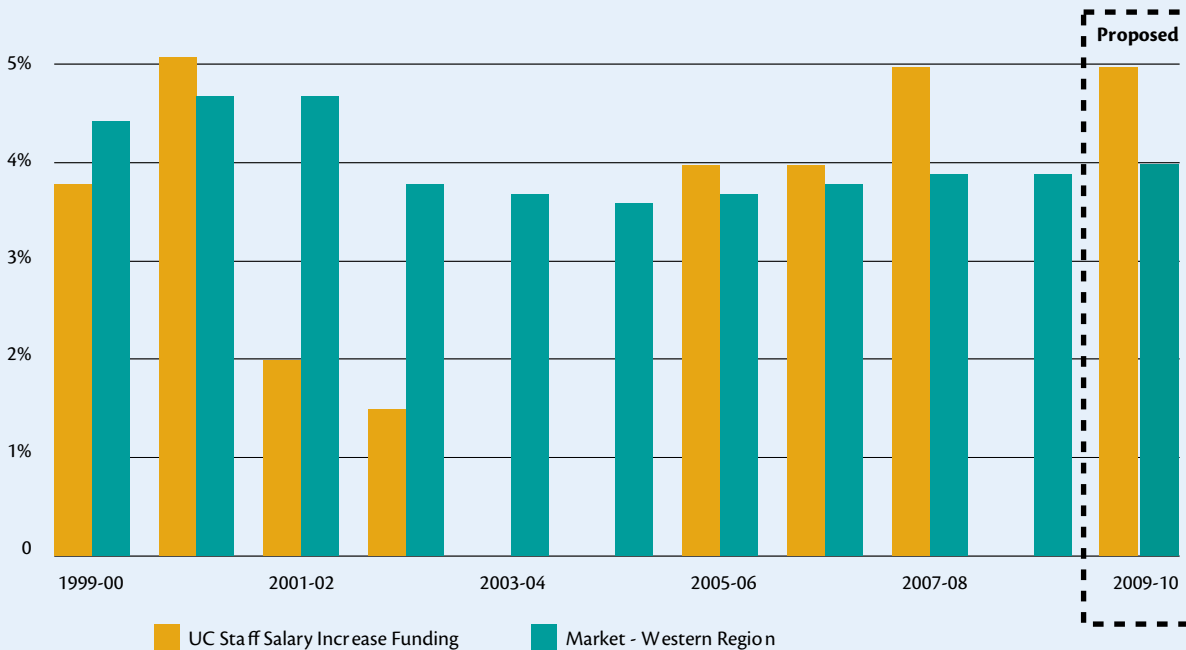
**Closing the Faculty Salary Gap.** In 2007-08, to strengthen faculty recruitment and retention, the University implemented a program to raise faculty salaries to market levels over four years. The changes anticipated in the four-year plan together with the general range adjustments faculty receive each year were intended to close the faculty salary gap by 2010-11. The cost to implement this plan was estimated to exceed \$250 million over four years. A portion of funding for the plan was to come from the 5% compensation package funded within the normal budget plan each year. The remainder was to be funded through a redirection from existing resources. Because no funding for salary increases was provided in 2008-09, this multi-year plan was deferred until resources can be made available once again to fund it. The budget plan for 2009-10 assumes resumption of this plan. To return to market parity over three years will require average increases in salaries of 7.5% annually. These increases will be funded from a combination of the Compact funding provided by the State and additional University resources.



### DISPLAY 8

#### INCREASES IN FUNDING FOR STAFF SALARIES COMPARED TO MARKET

This display shows annual percentage increases in funding for UC staff salaries compared to increases in funding for salaries in the Western Region market. From 1999-00 to 2004-05, UC salary increases lagged market increases every year but one, resulting in significant market disparities. In fact, during 2003-04 and 2004-05, UC was unable to provide any increases. From 2005-06 to 2007-08, with funding from the Compact, the University exceeded market increases. If funding is provided for increases in 2009-10, the University plans to proceed with annual compensation program increases of at least 5% annually to achieve competitive salaries. (Source: World at Work Annual Salary Budget Survey)



**Staff Salary Plan.** The funding gap with respect to staff salaries presents a similar problem for the University. Market salaries, measured with data from over 800 employers of all sizes and industries in the Western region, including the public sector, have been increasing at approximately 4% annually during the last decade. Funding for UC staff salary increases has kept pace, as the State's recent fiscal crises have prevented full funding of a normal workload budget.

In Fall 2005, The Regents adopted a plan calling for annual increases of 5% – 5.5% in staff salaries over a period of 10 years to close the gap. The University recognizes that while this amount will help salaries return to market levels over time, it is not sufficient to address all salary inequities. For now, market and equity funding will only address the most serious market and retention situations. As noted above, no salary increases were provided in 2008-09, thereby exacerbating the problem with respect to achieving competitive salaries for staff.

**Benefit Costs.** Employee health benefit costs are rising at a rapid rate (11% for calendar year 2009), much more so than the 5% rate of growth anticipated when the Compact was developed in 2004-05. Thus, funds received in recent years for employee benefit costs have fallen far short of what was actually needed. And as previously noted, no State funds were provided for this purpose in 2008-09, yet costs continued to rise, dramatically exacerbating an already difficult problem. Campuses were forced to redirect funds from existing programs to address these cost increases. In addition, with the exception of lower-paid employees, staff have been required to bear a larger responsibility for the rising costs of these benefits, essentially offsetting salary increases.

Even if new funding is provided to support these costs in 2009-10, it is expected that some of the increases in cost will continue to be borne by most employees. The University will continue to review its total compensation



program to ensure that all elements move toward being more competitive in the market. In 2002-03, the University instituted a progressive medical premium rate structure (based on full-time salary rates) designed to help offset the impact of medical plan premiums on lower-paid employees. Although UC continues to pay approximately 87% of monthly medical premiums for employees on an aggregate basis, UC has made a strategic decision to cover an even larger portion of the premium for most employees.

### ***Reinstatement of Contributions to the UC***

***Retirement Plan—\$270.8 million.*** Prior to November 1990, contributions to the University of California Retirement Plan (UCRP) were required from both the University as employer and from employees as members. In the early 1990s, the Regents suspended University contributions to UCRP after actuaries confirmed that UCRP was adequately funded to provide plan benefits for many years into the future. At the same time, the Regents directed that employee contributions be redirected to individual accounts in the Defined Contribution (DC) Plan. As part of this decision, The Regents reserved the right to reinstate contributions to UCRP to maintain the Plan's funded status.

Under the DC Plan, contributions from employees have been held in accounts and invested at an employee's direction. DC Plan accumulations are available for distribution starting at retirement or termination of employment.

At the March 2006 meeting, the Regents approved a targeted funding level of 100% over the long term along with employer and employee contributions at rates sufficient to maintain that level within a range of 95% - 110%. Over the 18 years when neither employees nor the University has contributed to UCRP, the funded status of the retirement program has declined and is projected to fall below 100% in 2009.

The Regents also approved a resumption of UCRP contributions effective July 2007, subject to the availability of funding, the budget process, and for represented employees, the collective bargaining process. However, no State funding was provided in the 2007-08 budget and the restart of contributions was delayed.

In September 2008, the Regents approved a new policy needed to keep UCRP fully funded, and established a date of July 1, 2009, subject to collective bargaining where applicable, for the resumption of employer and

employee contributions to the UCRP. While the actual level of employer and employee contributions will be determined at a future Regents meeting, the funding policy includes a commitment that the employer contribution percentage will be equal to or greater than the employee contribution. One proposal under consideration is to avoid an impact on employee take-home pay by redistributing to UCRP mandatory employee contributions currently going into the UC Defined Contribution Plan. Additionally, the University expects that its long-term approach to how employer and employees will share the cost of UCRP benefits will be consistent with the State's approach to contributions to CalPERS.

At the November 2008 meeting, UC's actuary will present the Regents with the annual valuation for UCRP and information regarding the total recommended level of contributions required from both UC and employees to keep UCRP fully funded. Then, at a later meeting, the Regents are expected to determine how contributions should be divided between the University and employees (i.e., the amounts UC will contribute and the amounts employees will contribute).

The University estimates that over the 18 years during which employer and employee contributions were not required, the State has saved nearly \$2.3 billion. In 2008-09, the State and student fee-supported compensation base is approximately \$2.4 billion. If contributions were re-started at a level of 11.54%, with employees contributing 2% and UC contributing 9.54%, the State share would be \$228 million. UC would need to identify an additional \$42.8 million from UC General Funds and \$450 million from other fund sources. The budget plan for 2009-10 reflects the \$228 million needed from the State plus the \$42.8 million needed from UC General Fund sources, for a total of \$270.8 million.

### **Strengthening Core Academic Support—**

**\$30.8 million.** With an additional 1% base budget adjustment called for by the Compact with the Governor, the University proposes to dedicate \$30.8 million to renew efforts to address the chronic shortfalls that exist in core areas of the budget that directly impact the quality of the instructional program. Recruitment and retention of the best faculty and students and modernization of instruction practices require that the University make investments in these crucial areas. Core areas include instructional technology, instructional equipment, ongoing building maintenance, and libraries. Each of these categories is critical to the quality of UC's academic programs. Funding provided beginning in 2009-10 will be used to upgrade services provided in each area to the direct benefit of students and faculty.

### **Enhancing Graduate Student Support—\$10 million.**

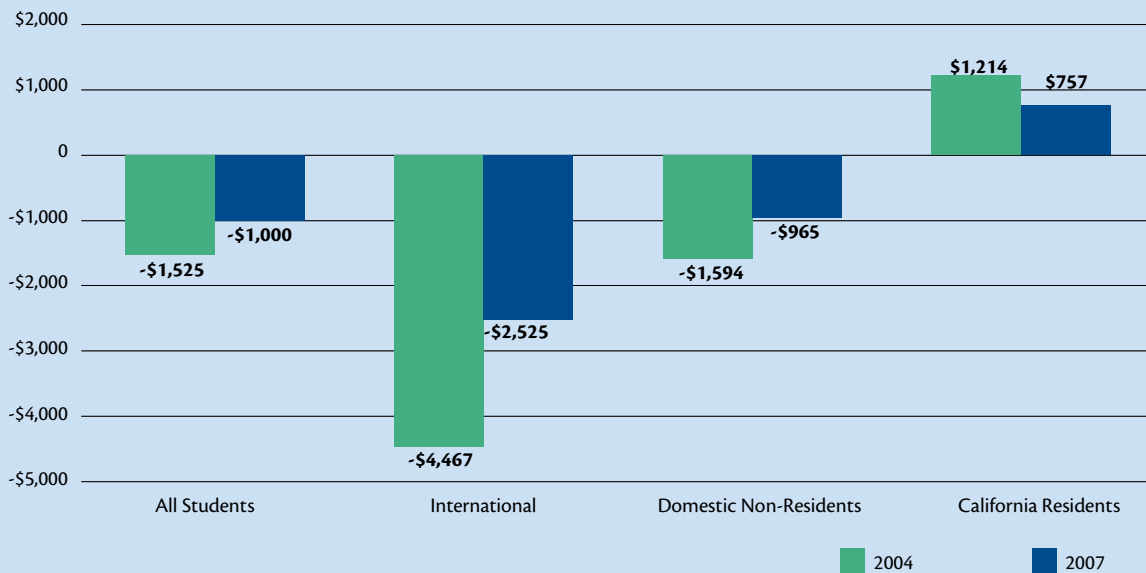
Graduate education and research at the University of California have long fueled California's innovation and economic development, helping establish California as one of the ten largest economies in the world. This was acknowledged in the Master Plan for Higher Education, which charged the University with the responsibility to prepare graduate academic and professional students to help meet California's and the nation's workforce needs. However, over the last forty years, graduate enrollment has not kept pace with industry demands.

A key problem inhibiting growth in graduate enrollments is the availability of financial support for graduate students — to attract the best graduate students, the University must provide competitive

**DISPLAY 9**

#### **COMPETITIVENESS OF UC FINANCIAL SUPPORT OFFERS TO GRADUATE STUDENTS**

For academic doctoral students, UC has narrowed the gap between its offers and those of competing institutions by more than \$500. UC's competitiveness has improved the most for international students, where the gap has been reduced by almost \$2,000. UC has made progress for domestic nonresident students as well and maintained a sizable advantage over competing institutions for California resident students. Nevertheless, large gaps remain, and they are exacerbated by the high cost of living at UC campus locations.



financial support. The Regents have identified securing adequate support for graduate students as one of their highest priorities. Over the last three years, the University has sought to augment graduate student support by \$40 million from a combination of campus and systemwide resources. An additional \$10 million is proposed for 2009-10.

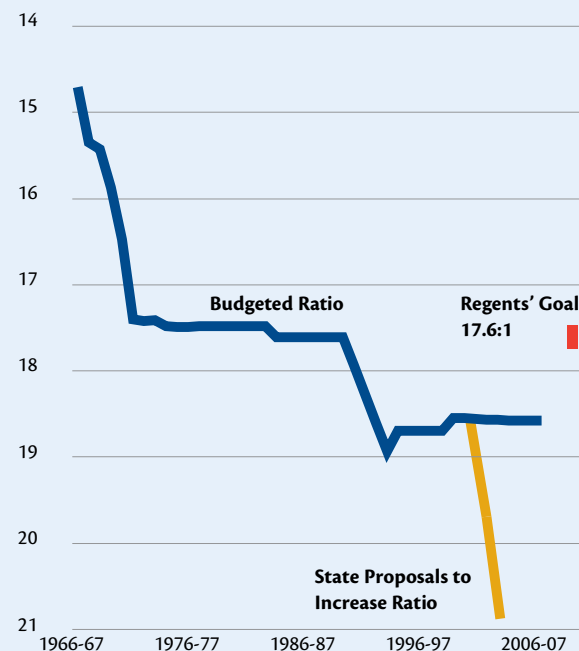
**Restoring Instructional Budgets—\$10 million.** The Governor's Budgets for both 2003-04 and 2004-05 proposed increases in the budgeted student-faculty ratio as part of the targeted budget reductions needed to help address the State's fiscal crisis. In both years, The Regents established a high priority for maintaining quality, including avoiding any further deterioration in the student-faculty ratio, and campuses were asked to absorb unallocated reductions totaling \$70 million over the two-year period.

Consistent with the high priority placed on maintaining quality in the instructional program and preventing further deterioration in the student-faculty ratio from that of the 1980s, the University's budgets between 2005-06 and 2007-08 included increments of \$10 million each year as part of a multi-year effort to recover some of the ground lost in the instructional program during the State's fiscal crisis. The University proposes once again to include \$10 million in the 2009-10 budget plan to continue to address this critical shortfall. With the funding provided in 2009-10, the University will have restored \$40 million of the \$70 million cut from the budget related to instructional programs.



**DISPLAY 10**  
**BUDGETED GENERAL CAMPUS**  
**STUDENT-FACULTY RATIO**

State cuts have deteriorated the University's student-faculty ratio. The University's long-term goal is to improve the ratio to 17.6:1 from the current level of 18.7:1.





***Keeping Pace with Inflation—\$45.7 million.***

To offset the impact of inflation on non-salary items, such as instructional equipment and library materials, and to maintain the University's purchasing power, \$21.6 million in funding within the Compact is proposed to cover non-salary price increases averaging 3%, based on the Consumer Price Index (CPI). Costs of goods and services employed for education, as measured by the Higher Education Price Index (HEPI), typically rise faster than the Consumer Price Index (CPI), and as a result, the 3% adjustment in the budget plan implicitly requires the University to create new efficiencies to cover actual cost increases above the CPI. In addition, the budget plan includes \$24.1 million to address an anticipated 10% increase in the price of purchased utilities. Since 1999-00, prices of electricity and natural gas have risen 140%, resulting in significant cost increases for UC campuses despite only modest increases in consumption.

***Maintaining Quality in Professional Schools—***

***\$19.9 million.*** The quality of the University's professional schools is critical to maintaining California's leadership role in fields as diverse as health sciences, business, and law. Increased funding is needed to offset rising salary and other professional school costs, as well as to maintain and enhance the schools' ability to compete for the best students and faculty. This is particularly critical after years of devastating cuts to professional school budgets. The budget plan assumes \$19.9 million, including a minimum \$6.6 million for financial aid, will be generated for these purposes from professional school fee increases in 2009-10.



### ***Planning for a New Medical School at***

***Riverside—\$10 million.*** Responding to the State's need for more physicians in the workforce, the Riverside campus plans to establish a four-year School of Medicine that would be the first new allopathic medical school to open in California in more than 40 years. The mission of UCR's School of Medicine will be to improve the health of the people of California and to serve Inland Southern California by training a diverse physician workforce and developing innovative research and health care delivery programs that will both improve the health of the medically underserved throughout the region and serve as models for improving health care access in California and nationally.

Core funding of \$10 million will be used to develop academic programs and support the salaries of initial medical school staff and faculty. Specific start-up activities that will occur during this budget year will include pursuing accreditation for the medical school curriculum and graduate medical education (residency) programs, establishing affiliations with community-based hospitals and clinics to support the distributed clinical model, and pursuing private philanthropy to leverage the State's investment in the medical school.



### ***Promoting Research in Emerging Science and Technology Fields—\$10 million.***

At the start of this decade, the State of California, UC and hundreds of the state's leading-edge businesses joined together in an unprecedented partnership to create four California Institutes for Science and Innovation. In partnership with the State and California industry, the four Institutes engage UC's world-class research faculty directly with California, national, and international companies in attacking large-scale issues critical to the State's economy and its citizens' quality of life — information technology, telecommunications, nanotechnology, biology, health care, traffic congestion, environmental management, homeland security, and novel energy systems are among the areas of focus for new research within these Institutes.

While the facilities needs of the Institutes have been largely met, the core support for operation of the Institutes is inadequately funded. The 2009-10 budget plan includes an additional \$10 million to support advanced technology infrastructure, personnel, and other academic support and provide seed money for building new research teams across disciplines and campuses, new educational programs, and mounting large scale extramural contracts and grants.

### ***Advancing Labor Research and Education—***

***\$5.4 million.*** The University seeks restoration of \$5.4 million in State General Funds for the Miguel Contreras Labor Program, which supports research on labor and employment and labor education throughout the University. Growing international economic integration, policy changes, transformations in business organization, new technology, and the recent fiscal crises have generated emerging workforce issues for California, creating a need for new research and education that advances knowledge and understanding of these new challenges and opportunities from a variety of perspectives and disciplines. Restored funds would be used to conduct research related to the labor and employment concerns of the State, including employers, working people, communities, and policy makers. Funds will not only support faculty research, but will also provide much-needed support for graduate students.



## Student Fees and Financial Aid

### Student Fees

Revenue from student fees is a major source of funding for the University's core educational program, providing \$1.84 billion to help support the University's basic operations. Fees have increased significantly in recent years due to reductions in State funding, the need to fund mandatory cost increases, and initiatives to maintain program quality. Students now pay 31% of the cost of education.

Even with recent fee increases, UC fees remain very competitive with public comparison institutions for resident undergraduates and resident graduate academic students. In 2008-09, the University's average fees for California resident undergraduate and graduate students remain well below the average of tuition and fees at the University's four public comparison institutions.

The Higher Education Compact includes Governor Schwarzenegger's proposed long-term student fee policy that calls for increases in student fees to be based on the annual increase in California per capita personal income. However, the Compact provides that fiscal circumstances in some years will require greater increases to provide sufficient funding for programs and to preserve quality. In those years, UC may decide, after consultation with the Governor, to increase fees up to 10%. This fee policy is contingent on State resources being provided for the basic budget at the level called for in the Compact and on no further erosion of the University's base budget. It assumes that revenue from student fees will remain with UC, rather than being used as an offset to reductions in State support.

Display 11 shows the comparison of total fees at UC for undergraduate and graduate students with those charged at UC's four public comparison institutions. UC undergraduate fees for resident students are about \$1,880 below the average of the comparison institutions while fees for graduate resident students are \$1,900 below the average.

Aside from a proposed increase in undergraduate nonresident tuition, the University is making no proposal to increase mandatory systemwide student fees (Educational and Registration Fees), professional school fees, or related student financial aid at this time. The budget plan proposed for 2009-10 includes a request for additional General Funds to avoid increases in student fees. The State is advised that absent these additional funds, student fee increases will be required.

**Mandatory Student Fees.** Funds equivalent to a 10% increase in the Educational Fee, which provides funding for instruction and support activities, will be

used along with State funds and other revenues to fund faculty salaries, other cost increases and new initiatives, as well as provide new funding for financial aid. Funds equivalent to a Registration Fee increase of 4.2% will generate \$8 million for compensation and non-salary price increases for the student support services funded from this fee.

**Fees for Professional School Students.** As mentioned earlier, professional school fees provide UC's professional schools with funds to maintain quality – to recruit and retain excellent faculty, provide a top-notch curriculum, and attract high-caliber students – following significant budget cuts over the last two decades. The budget plan includes funds equivalent to increases in professional school fees ranging from 5% to 24% depending on the campus and program. If fee increases are necessary, specific fee levels will be based on an evaluation of program resources and needs, comparison institution fees, and availability of financial aid.

#### DISPLAY 11

##### 2008-09 UNIVERSITY OF CALIFORNIA AND PUBLIC COMPARISON INSTITUTION FEES

The University's average fees for 2008-09 for California resident undergraduate and graduate academic students remain well below the average of tuition and fees at the University's four public comparison institutions. Even with recent fee increases, UC fees remain very competitive for resident undergraduates and resident graduate academic students.

	UNDERGRADUATE		GRADUATE	
	RESIDENT	NONRESIDENT	RESIDENT	NONRESIDENT
<b>Public Comparison Institutions</b>				
University at Buffalo (SUNY)	\$6,285	\$12,545	\$8,341	\$12,361
University of Illinois	\$12,106	\$25,890	\$11,988	\$24,742
University of Michigan	\$11,738	\$34,230	\$16,541	\$33,255
University of Virginia	\$9,490	\$29,790	\$12,140	\$22,140
Average	\$9,905	\$25,614	\$12,253	\$23,125
<b>University of California</b>	<b>\$8,027</b>	<b>\$28,635</b>	<b>\$10,353</b>	<b>\$25,359</b>

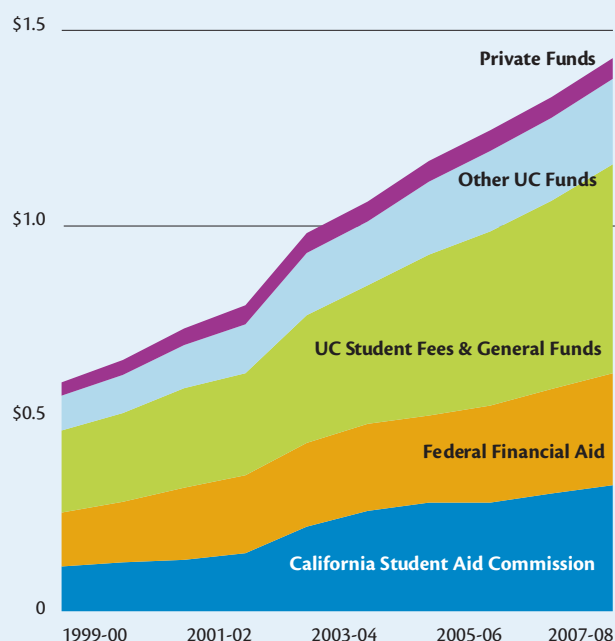
Note: Comparison institution figures include tuition and required fees as reported by the Association of American Universities Data Exchange (AAUDE). UC figures include mandatory systemwide fees and campus-based fees, nonresident tuition for nonresident students, and a waivable health insurance fee for UC graduate students.

#### DISPLAY 12

##### GIFT AID EXPENDITURES BY SOURCE

(DOLLARS IN BILLIONS)

To offset fee increases and maintain the promise of higher education for all Californians, both the University and the State have invested heavily in student financial support. Total gift aid is projected to exceed \$1.4 billion in 2008-09 — an average of nearly \$6,300 per student.



**Nonresident Tuition.** In addition to mandatory student fees, nonresident students pay tuition in lieu of State support. For 2009-10, the University budget plan includes a proposed 5% increase in nonresident tuition for undergraduates. As discussed earlier, the inadequacy of graduate student support is a serious issue for the University. Therefore, nonresident tuition for graduate students will not be increased in order to avoid exacerbating an already difficult problem.

### Student Financial Aid

The University of California has become nationally recognized as a leading institution in enrolling an economically diverse pool of undergraduate students. This accomplishment reflects the success of the University's financial aid programs, which are guided by policy adopted by The Regents in 1994.

At the undergraduate level, the goal is to maintain the affordability of the University for all students so that financial considerations are not an obstacle to student decisions to seek and complete a University degree. At the graduate level, the policy calls upon the University to attract a diverse pool of highly qualified students by providing a competitive level of support relative to the cost of other institutions. This competitive context reflects the fact that graduate student enrollment is tied most directly to the University's research mission and helps the state meet its academic and professional workforce needs.

In 2006-07, over half (54%) of UC undergraduates received grant/scholarship aid averaging about \$9,300 per student; 61% of graduate students received gift aid averaging about \$13,400 per student. The difference in average grant level is attributable primarily to the different purposes of undergraduate and graduate assistance; while undergraduate awards are sized to make the University accessible, graduate awards must be sized not only to make the University accessible but also to be competitive with awards prospective students receive from other institutions.

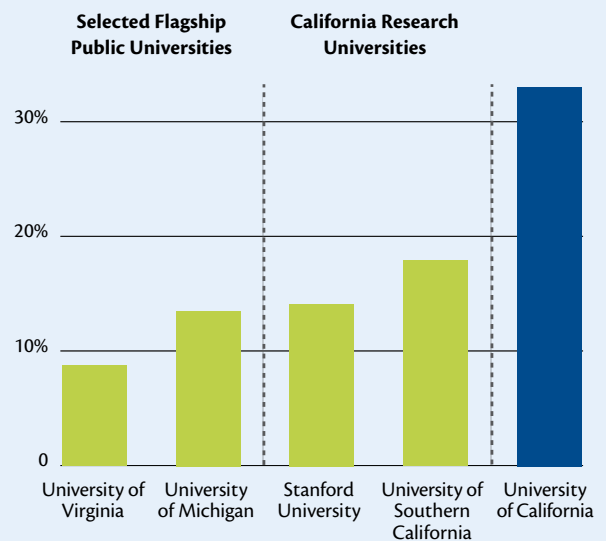
To mitigate the impact of fee increases as well as increases in other educational expenses, the University has continued to use a portion of the revenue derived from student fee increases to support financial aid. Grant aid increased by 46% from nearly \$980 million in 2002-03 to over \$1.4 billion in 2007-08 with 46% of the growth funded from new fee revenue, an estimated 23% from California Student Aid Commission programs, and the remaining in funds from federal, private, and other University sources.

Despite fee increases, the University has remained accessible to undergraduate students from all income groups. Enrollments of low-income students at other research institutions range from below 10% to nearly 20%. The average at UC is over 30%, more than at any other comparably selective research institution. At UCLA, 37% of undergraduates are low-income students.

**DISPLAY 13**

#### 2006-07 UNDERGRADUATE PELL GRANT RECIPIENTS

UC remains accessible for students from low-income families. UC has a very high proportion of federal Pell Grant recipients – around 30%, which is more than at any comparable public or private institution.





The enrollment of students from middle-income families also has remained relatively stable. Over the past decade, despite fee increases, the percentage of middle-income students enrolled at the University has remained about 43%.

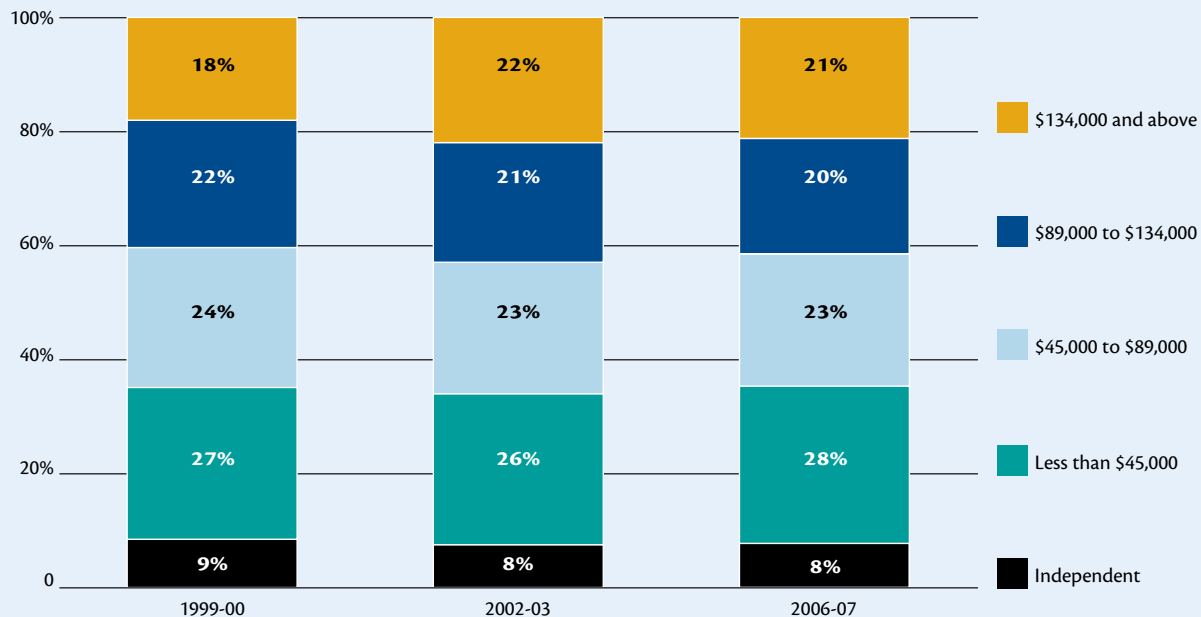
Financial aid also contributes greatly to the University's undergraduate diversity. African-American, Chicano/Latino, and Asian American students are disproportionately low income. Collectively, these students receive 70% of all undergraduate gift assistance. For these reasons, maintaining a robust financial aid program for UC undergraduate and graduate students remains a top University budget priority.



**DISPLAY 14**

**UNDERGRADUATE ENROLLMENT BY FAMILY INCOME**

UC enrollment of students from middle-income families has remained stable. Despite fee increases, the percentage of students in the middle-income quartiles has remained about 43% since 1999-2000.





## Future Funding for High Priority Needs

The budget priorities described in the previous pages reflect a modest request for a normal workload budget. However, the University's funding needs far exceed what is contained in that request. Those needs have been reviewed as part of the long range planning effort begun two years ago, the results of which were most recently considered by The Regents at their January 2007 meeting. This section reflects the priorities emerging from that long-range planning effort and wide consultation within the University.

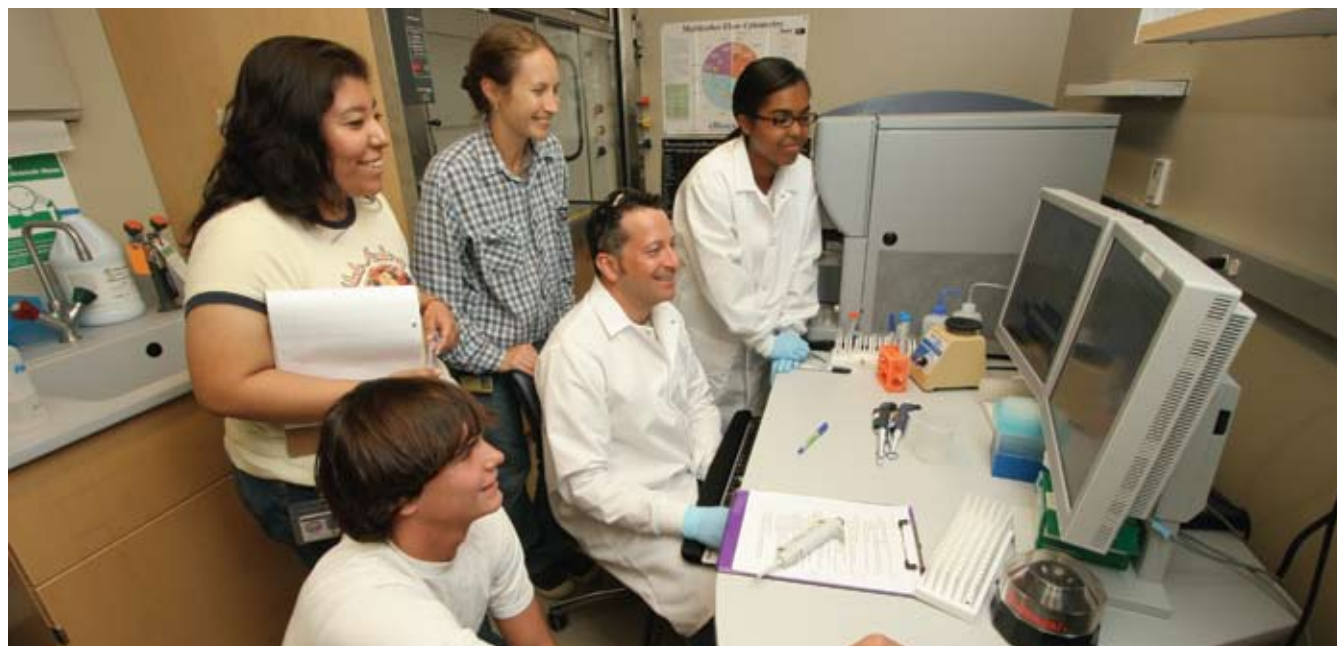
From its founding, the University of California has propelled California's economy and quality of life. It has transformed desert to farmland, created new industries and economic prosperity, contributed to the defense and security of the nation, driven social mobility, and discovered innovations that have improved the health and well-being of people far beyond California's borders.

To achieve all this, the University has required continuous investment — investment that, in recent years, has been inadequate because of dwindling state resources. The University, which still has not seen a restoration of cuts made in the early 1990s, faces the very real threat that it will lose its competitive advantage among research universities, endangering the quality of its academic programs and impacting the California economy and the quality of life for all Californians.

The University's continuing long-range planning process, involving members of the Board of Regents, chancellors, faculty and staff, has identified a number of pressing long-term needs for California that require both an institutional commitment by the University and a long-term commitment of funding by the State.

Among the University priorities presented to the Regents' Long Range Planning Committee:

- **fully fund faculty salaries** to market by 2011-12 and **staff salaries** to market as soon as possible, but no later than 2016-17. *Total future cost:* \$300-350 million. This does not include additional costs for faculty and staff hired to address enrollment growth or the funding needed to keep from falling further behind the competitive market;
- **restore investment in the research enterprise** and provide **support for the graduate students** who help sustain it. These investments, which are leveraged with grant and other funding, will power California's economy, give rise to new industries, solve real and pressing problems of the environment, health access, workforce needs, and agriculture, to name just a few, and inform social public policy. *Total future cost:* ongoing annual increments of \$10 million for graduate student support for several more years as well as continued State funding for graduate student enrollment at the agreed-upon marginal cost rate; and increments of \$5 million - \$15 million a year in support for new and cutting edge research, aligned with the state's evolving needs;
- **contribute lasting solutions to California's K-14 educational crisis.** *Total future cost:* up to \$10 million a year to support new research and academic partnerships between UC, the community colleges, and K-12 schools;
- **meet California's health care needs**, including addressing the large and mounting shortfall of doctors, nurses, public health professionals, pharmacists, and veterinarians, particularly in California's medically underserved communities. *Total future cost:* to be determined;
- **restore funding to instructional budgets and improve the student-faculty ratio.** *Total future costs:* \$40 million to restore instructional budget cuts followed by \$10 million a year as needed to hire the additional faculty necessary to restore the student-faculty ratio to 17.6:1; and
- **upgrade essential infrastructure.** The following needs have been identified. Each is extensively documented elsewhere and reflects the extent and severity of inadequate investment and associated unmet needs:
  - \$800 million to \$1 billion annually for State supportable capital projects including those necessary for seismic and life-safety improvements, accommodating enrollment growth including instructional (classroom) buildings, capital renewal, and building out essential infrastructure;
  - \$800 million to \$1 billion annually for non-State projects to improve and extend research space, improve medical centers, and provide auxiliary structures such as parking and housing for students, faculty, and staff;





- \$150 million for academic support including ongoing building maintenance, libraries, instructional technologies, and instructional equipment;
- \$100 million annually to develop and maintain an information technology infrastructure appropriate for management of the University's \$20 billion enterprise and to manage a cyber-infrastructure capable of supporting high-end and increasingly computationally-based research.

Other critical investments will be needed to meet additional priorities, although total future costs have not been fully calculated:

- **increase diversity**, by expanding and coordinating successful student academic preparation programs as well as implementing recruitment, fellowship, and



mentoring programs that encourage recruitment, retention, and successful advancement of diverse faculty and staff, consistent with the findings and recommendations of the Regents' Study Group on University Diversity;

- **ensure access and affordability**, in keeping with the University's commitment under California's Master Plan for Higher Education. While the University is committed to continuing the practice of setting aside a minimum of 33% of the revenue raised from increases in student fees for financial aid, it is also exploring initiatives to significantly increase the pool of funds that can be made available for financial aid, including aid for middle-income California students;
- **retiree health**. New accounting rules require the University to report in its financial statements all post-employment benefits expense, such as retiree medical and dental costs, on an accrual basis over the employees' years of service, along with the related liability, net of any plan assets. Beginning with the 2007-08 financial statements, the University will record the annual expense, including normal cost, interest, and amortization of unfunded liability. The total retiree health benefit expense for 2007-08 was approximately \$1.35 billion.

The University recognizes this is an ambitious agenda, but it is one appropriate for meeting the growing needs of California. At the same time, the University also acknowledges it must do its part by undergoing a thorough operations and efficiencies review, with the goal of identifying and capturing sufficient savings to finance many critical initiatives. However, this cannot be a substitute for continued support from the State. On the contrary, the State's investment must be dramatically augmented as its fiscal situation improves. For only in partnership — with the State generously investing in its research university, and a university that, in turn, recognizes its public trust obligation to operate at maximum efficiency — can the University of California's continued place as the highest quality public research institution in the world be ensured.





## Capital Outlay Budget for 2009-10

Adequate funding for facilities is essential to the University's commitment to maintain progress on seismic and other life-safety improvements, address essential infrastructure and building renewal needs, and upgrade and expand academic facilities necessary to support enrollment growth.

For 2008-09, the State did not propose a new General Obligation bond measure for higher education. Late in the budget process, the University sought lease revenue bond funding for a portion of its 2008-09 capital plan, which ultimately was approved. For 2008-09, six of the original projects proposed in November 2008 are funded using State lease revenue bonds.

The University must seek similar financing for 2009-10. It is the University's intention to pursue a General Obligation bond for voter approval in 2010-11 for funding beyond 2009-10, including a separate health sciences bond to finance the design and construction of instruction and research facilities for programs in health sciences.

Within this context, the University's 2009-10 capital budget proposal totals \$842.4 million, including \$801.8 million in State lease revenue bonds and \$40.6 million in existing general obligation bonds for enrollment growth-related expansion, seismic and life safety improvements, essential infrastructure and renewal, and telemedicine and medical education.

The University's 2009-10 request for State funds for capital improvements is presented in more detail in a companion document titled, *2009-10 Budget for State Capital Improvements*.

<b>DISPLAY 15</b> <b>2009-10 CAPITAL BUDGET PROPOSAL</b> (DOLLARS IN MILLIONS)	
Expansion and upgrades of academic facilities to support enrollment growth	\$451.1
Maintaining progress on seismic and other life-safety improvements	247.9
Essential infrastructure and building renewal needs	114.9
Telemedicine and medical education	28.5
<b>Total</b>	<b>\$842.4</b>

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UNIVERSITY OF CALIFORNIA  
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